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JAPAN

Waging a trade war in east Asia

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World News

Azerbaijanis, Armenians to meet for peace talks

The warring nationalist groups of Azerbaijan and Armenia agreed to begin peace negotiations under the auspices of the Baltic Council - an organisation comprising the three informal nationalist groups there.

Representatives of the Azerbaijan Popular Front and the Armenian National Movement will send representatives to Riga, the Latvian capital. The two sides are due to hold separate talks with Baltic mediators tomorrow and to meet face to face on Thursday. Page 2

Srinagar tense

Srinagar, the capital of India's north-west state of Kashmir, remained tense as anxiety increased in Islamabad about a possible clash between India and Pakistan. Page 4

Soviet farm output

A picture of sluggish Soviet farm output despite ever-larger cash injections emerged when official statistics were published on one of Mr Mikhail Gorbachev's most important policy areas. Page 18

Attacks in Bucharest

Thousands of pro-government factory workers in Romania attacked the offices of leading opposition parties in Bucharest and the Government accused its critics of having tried to stage a putsch. Page 2

Allies differ

A clear difference of opinion has emerged between W Germany and its main Western allies, especially the US and Britain, over East Germany's military status in a future united Germany. Page 2

Pull-out from Jaffna

Indian troops have pulled out of Jaffna in Sri Lanka, leaving the northern town in the control of the Tamil Tiger guerrillas they fought for more than two years. Page 4

US advisers drafted

US military advisers have been drafted in to help Liberian government troops fight a rebel incursion amid claims of army atrocities committed against civilians. Page 4

Bulgarians divided

Bulgaria's ruling Communist party opens its congress against a background of bitter infighting between several factions which could lead to a formal split. Page 2

Italian media strike

Italy's radio, TV and print journalists staged a 24-hour strike in support of their demand for early parliamentary approval of a law to regulate concentration of ownership in the mass media. Page 2

Poland scraps Party

Poland's once-powerful Communist party disbanded at a special congress after delegates voted to form a new social democratic party.

Coup leader caught

Philippine troops captured a top coup leader, dealing a blow to army rebels who have sought to overthrow President Corazon Aquino.

Menem bugged

Argentine anti-espionage teams have discovered bugs on all the telephones at President Carlos Menem's official residence. Page 6

Albanians riot

Ethnic Albanians clashed with police in Yugoslavia's southern province of Kosovo where at least 14 people died in gun battles at the weekend, Belgrade TV reported.

Le slippery slope

La cover-girl, le cow-boy and le cricket have been officially admitted to the French language as the defenders of purity, the Alliance Française, gave a little more ground to the encroachment of English.

Business Summary

Panama to step up fight against cash laundering

Panama's banking regulations are to be amended to prevent the use of the country's offshore financial centre as a money-laundering point for proceeds from international drug trafficking.

President Guillermo Endara announced the changes during a visit by the US Vice President Dan Quayle. Page 18

APPLE Computers is facing a shake-up of senior management after disappointing results and the resignation of Allan Z. Loren, president of the company's US sales and marketing unit. Page 19

FERRANTI International will be seeking damages of £400m ($660m) in its negligence claim against Peat Marwick McLintock, the former auditors of International Signal & Control.

CARLO De Benedetti wants to negotiate his exit from the battle with Mr Silvio Berlusconi for control of Mondadori, the Italian publishing group, if he and his allies can retain the group's main newspaper and magazine titles. Page 19

ABC BANK, Norway's largest savings bank, said preliminary 1989 figures indicated net profits estimated at NKr240m ($1.59m) against a 1988 loss of NKr670m. Page 20

CONSOLIDATED Metallurgical Industries' sales and profits fell sharply in the six months to December because of falling international demand for stainless steel. Page 22

SWEDEN'S banking sector started a lockout and strike over pay levels but businesses said they could weather its immediate effects. Page 2

METALLGESELLSCHAFT, West German engineering, metals and mining group, signed its second contract with East Germany since the border was opened. Page 3

BANK of England guidelines on UK bank provisions have increased the cushion banks are required to hold against Third World debt. Page 12

AZT, drug made by Wellcome of the UK, is likely to get approval by US Food and Drug Administration. Page 6

ML Media Opportunity Partners, a US media venture capital fund established by Merrill Lynch, has set up a venture to look for media investments in Europe. Page 12

SUMITOMO of Japan leads a consortium which has won a $305m contract to build the first two units of a proposed 2,000MW coal-fired power plant in East Java. Page 3

SWITZERLAND last year accounted for half the value of world watch and movement production, according to the federation of the Swiss watch industry. Page 3

KELT Energy, the UK independent oil and gas company, has named Mr Jock Green-Armytage as chief executive and joint chairman. At the same time as it unveiled a £1.05m ($1.75m) pre-tax loss for the six months to end-September 1989. Page 25

WESTLAND of the UK plans to bid for overall responsibility for the Royal Navy's EH101 Merlin helicopter if the Ministry of Defence opens the job to competition. Page 12

ASCOM Holding, Swiss telecommunications group, said consolidated group sales in 1989 jumped 10 per cent to SFr2.64bn ($1.76bn) against SFr2.4bn for 1988. Page 20

BLACK & Decker, US power tool company, reported a loss in the quarter ended December despite a 60 per cent increase in sales to $1.1bn from $705.5m.

NEWMAN Tonks, Birmingham-based architectural hardware group, has bought two Belgian partitioning systems suppliers for up to BFr68.97m ($1.9m) cash. Page 26

Bush budget faces strong opposition from Democrats

By Peter Riddell, US Editor, in Washington

THE BUSH Administration's budget proposals yesterday faced an immediate challenge from Democratic Congressional leaders that they relied on over-optimistic economic assumptions and controversial cuts in domestic programmes in order to reduce the Federal deficit.

There is little prospect of an early agreement between the White House and Congress over the budget following bruising battles last autumn. While not dismissing the budget outright, as sometimes happened during the Reagan era, Congressman Richard Gephardt, the Democratic House Majority leader, yesterday foreshadowed a lengthy debate when he argued for bigger cuts in the defence budget and smaller savings in domestic programmes.

The 1,500-page budget document sets out proposals intended to cut the US budget deficit from an expected $123.8bn in the current fiscal year to $63.1bn in the 1991 fiscal year starting this October - without introducing any major new taxes. The plans also project a balanced budget by fiscal 1993 as laid down in the Gramm-Rudman deficit reduction law.

The plans are dependent on continued economic growth. Total output is expected to grow in real terms by 2.6 per cent during 1990 and by 3.3 per cent in 1991, higher than the Congressional Budget Office's forecast of 1.8 per cent expansion this year.

MAIN POINTS

- Federal Budget deficit projected at $63.1bn in fiscal 1991.
- Total spending of $1,230bn.
- Defence budget cut by 2 per cent in real, inflation-adjusted terms, with plans for base closures, cutting army divisions and mothballing two battleships.
- Wide-ranging cuts in Medicare health payments to doctors, Amtrak rail subsidies and commodity price support programmes.
- Reduction in long-term capital gains tax on a sliding-scale basis and new incentives for personal savings.

Mr Nicholas Brady, US Treasury Secretary, and Mr Michael Boskin, president of the council of economic advisers, defended the forecasts. They both expressed confidence in a rebound later in the year.

Of the $36.5bn in specific budget measures, only about a sixth reflects savings in defence. More than a third represents a variety of minor tax increases and changes, including the expected initial boost from reducing capital gains tax. The rest comes from cuts in domestic programmes.

The biggest debate will be over defence spending - projected to decline by 2 per cent a year in real terms until the mid-1990s - with Democrats already urging a far-reaching reappraisal in the light of changes in eastern Europe.

The budget also contains measures aimed at raising the level of personal savings, including both a sliding scale of lower taxation on longer-term capital gains and tax incentives for long-term family savings. After an indecisive battle last year over capital gains, a cut looks likely to be enacted this year and Congressional leaders have already promised a savings package.

A related battle is likely over the financing of social security following proposals made a month ago by independent-minded Democratic Senator Daniel Patrick Moynihan for a cut in the social security payroll tax paid by employers and employees.

The Administration has put forward its own proposals for safeguarding the social security fund for future retirees as well as separate ideas for strengthening the Gramm-Rudman deficit reduction law.

Controversy is also likely over a proposed 11 cent fee on futures market transactions. Congressman Robert Michel, the Republican Minority leader in the House, yesterday warned of the danger of "chasing" transactions overseas. Mr Michel comes from Illinois, home of the leading US futures markets in Chicago.

Budget details, Page 8

Pentagon plans to close bases

THE PENTAGON plans to close or realign 69 military bases in the US, as well as 14 installations overseas, in an effort to save billions of dollars in defence spending over the next five years, writes Lionel Barber in Washington.

Mr Richard Cheney, US Defence Secretary, said the proposals announced yesterday were aimed at streamlining US forces in line with future budget constraints. However, the announcement seemed certain to stir speculation of future US troop withdrawals in Europe and Asia.

The overseas bases which could be affected include three in the UK: RAF Fairford, Wethersfield, and Greenham Common, home to the cruise missiles due to be dismantled under the 1987 Intermediate-range Nuclear Forces treaty with the Soviet Union.

Mr Cheney's list of base closures is, however, only a suggestion, and it is closely tied to the Pentagon's negotiating tactics with Congress over this year's defence budget.

By earmarking more than 69 military bases in the US, Mr Cheney is hoping to gain leverage over members who are calling for bigger defence cuts but who are unwilling to support savings in their home districts. The proposed realignments abroad concern either minor or soon-to-be obsolete bases which will have to be sacrificed to balance the domestic reductions.

Mr Cheney sought to reassure allies yesterday that the US was "determined to sustain a strong forward-deployed military presence overseas." However, he added that "global and regional trends make it possible for us to adjust some of our overseas facilities, in consultation with allies."

The US has more than 1,200 military bases. About 800 are in the US and more than 350 overseas - 80 per cent of them in West Germany. The Asian bases on Mr Cheney's list are a navy installation in San Miquel, Philippines, and three in South Korea. - Kwang Ju, Suwon, and Taeguak. The European bases on Mr Cheney's list include Hellenikon Air Base and Navcomista in Greece; Zweibrucken in West Germany; and Comiso Air Base in Italy, which is also home to cruise missiles.

British officials stressed that the Cheney proposals did not mean that the UK bases would be closed because they would continue to remain RAF installations. They would only be affected if US forces withdrew.

The cuts will cost money in the short term because of the need to clean up the environment, but officials believe that billions of dollars can be saved in future years. The new base cuts are in addition to last year's agreement to close or realign 86 US military bases.

Mexico 'not afraid to compete with E Europe for investment'

By Robert Graham in London

PRESIDENT Carlos Salinas de Gortari of Mexico yesterday made a strong plea that recent events in eastern Europe should not distract investor interest from Mexican investment opportunities.

The Mexican President made his plea both in a meeting at Number Ten Downing Street with Mrs Margaret Thatcher, the British Prime Minister, and at a subsequent dinner hosted by her.

President Salinas acknowledged that changes in eastern Europe created greater competition for capital. "This does not frighten us", he said, "but we would not like the fascination with what is happening in the east to be translated into indifference towards what is occurring in the west."

His meetings with Mrs Thatcher were the high point of a busy schedule that included addressing UK parliamentarians in the House of Lords and addressing the Confederation of British Industry. The three day stay, which finishes today, is his first formal visit to the UK since assuming office in December 1988.

During his talks with British ministers and officials, he sounded out UK support for the EC upgrading its 1976 agreement with Mexico. He also pressed for a more open attitude to removing non-tariff barriers - an issue he was expected to raise more strongly in Brussels and Geneva later in the week. However, his main concern was to stimulate investor interest in Mexico.

Mexico currently receives over half of its foreign investment from the US. But while the Salinas Government recognises the need for strong links with its American ally, it is also anxious to diversify both with Europe and Pacific Basin investments.

In London he revealed that Mexico was pressing ahead to reach a trade agreement with Canada on a sector by sector basis, similar to that partially terminated with the US. A Mexican delegation discussed the matter last week in Canada.

President Salinas has said that he does not envisage entering into a 'common market' arrangement with Canada and the US; but the logic of both the current trade talks with these countries is to forge ever closer links.

Interview, Page 6

Mitchell Fromstein: magnanimous in victory

Fromstein takes Blue Arrow to US

By Vanessa Houlder in London

MR Mitchell Fromstein, chief executive of Blue Arrow, yesterday took the combined employment agency full circle.

In a move that finally reverses Blue Arrow's audacious $1.3bn acquisition of Manpower in 1987, the combined employment agency will revert to its original name and its headquarters will return to the US by the middle of the year.

The company yesterday also announced a fall in pre-tax profits, the abandonment of this year's final dividend and a £675m ($1.13bn) US charge relating to goodwill write-offs.

"The roads all lead to the company returning to what it was before it was acquired," said Mr Mitchell Fromstein yesterday, the original president of Manpower. He replaced Mr Tony Berry, architect of Blue Arrow's meteoric rise, as chief executive in a boardroom putsch a year ago.

Most of the non-Manpower businesses, which account for 22 per cent of the total, are likely to be sold, Mr Fromstein said. He was magnanimous in victory. "I have always had an amicable relationship with Mr Berry," he said.

The decision to return the company to the US reflects the increasing dominance of US investors, which now account for 65 per cent of the shares.

Mr Fromstein said that this rekindling of interest by institutions which were familiar with Manpower followed his reinstatement a year ago.

In order to comply with US regulations, Blue Arrow has made a £675m charge in its US accounts, to account for the goodwill associated with the purchase of Manpower.

Blue Arrow also announced it was passing its dividend, as a result of exhausting its distributable reserves.

This stemmed from provisions of £33m, made to cover the fall in value of non-Manpower subsidiaries bought in 1986 and 1987.

Blue Arrow's results also bore the scars of the controversial £25m loan made in Decem-

Continued on Page 18

Lex, Page 24;
Analysis, Page 26

Modrow paints grim picture of E German economy

By Leslie Colitt in East Berlin

MR HANS MODROW, East Germany's Prime Minister, yesterday painted a sombre picture of a country in which law and order and the economy were disintegrating.

In a speech to the Volkskammer (parliament) explaining why elections had been brought forward by nearly two months to March 18, Mr Modrow said: "The economic situation is worsening alarmingly. The strikes, slowdowns and other disturbances are leading to serious breakdowns in production."

Mr Modrow said workers were demanding increases of DM40bn ($23bn at the official exchange rate) in wages and benefits which, if approved, would threaten the existence of East Germany. Many local and district governments had collapsed or could not operate in the face of anti-Communist rallies as well as attacks on officials and bomb threats.

"Law and order are being increasingly challenged," he noted. The debilitating emigration of East Germans to West Germany - nearly 2,000 a day - was also continuing.

"All appeals by the Government have not been able to stop this haemorrhaging of the population," he said.

Prime Minister Modrow gained the parliament's approval of his Communist-led Government's agreement on Sunday to form a "grand coalition" with 10 opposition groups.

In the Cabinet of "national responsibility" to be set up shortly, non-Communist ministers will be in the majority for the first time in 40 years. They will be without portfolio although their vote will be needed for all government decisions.

Opposition groups made plain that they were anything but triumphant over having gained a large share of power at such a critical moment for the country. They said it would be extremely difficult to build effective party leaderships for the elections, moved forward from May 6.

In a debate by the round table group on East Germany's poisoned environment, government officials said no more nuclear generating capacity would be installed and existing reactors at the Greifswald

Continued on Page 18

Military status splits allies; Romanian offices ransacked, Page 2

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Hitting the headlines for all the wrong reasons

Alastair Morton (left), joint chairman of Eurotunnel, makes no secret of his views that poor productivity by UK contractors has helped push up costs of the Channel tunnel by nearly one-half to £7bn. Others disagree. Page 12

MARKETS

STERLING
New York close:
$1.6815
London:
$1.6785 (1.6565)
DM2.8200 (2.8050)
FFr9.5750 (9.5250)
SFr2.4925 (2.4800)
Y240.25 (237.25)
£ index 88.5 (88.1)

GOLD
New York: Comex Feb
$419.2 (420.3)
London:
$418.75 (420.5)

N SEA OIL (Argus)
Brent 15-day Mar
$19.95 (+0.175)

Chief price changes yesterday: Page 19

DOLLAR
New York close:
DM1.6755
FFr5.6905
SFr1.4815
Y142.955
London:
DM1.6795 (1.6930)
FFr5.7050 (5.7500)
SFr1.4855 (1.4975)
Y143.15 (143.30)
$ index 66.7 (67.1)
Tokyo close: 143.19

US Lunchtime Rates
Fed Funds $8\frac{3}{16}$%
3-mo Treasury Bills: yield: 8.00%
Long Bond: $95\frac{21}{32}$
yield: 8.52%

STOCK INDICES
FT-SE 100:
2,328.8 (+14.3)
FT Ordinary:
1,863.9 (+12.4)
FT-A All-Share:
1,164.32 (+0.5%)
New York close:
DJ Ind. Av.
2,553.38 (-5.85)
S&P Comp
323.91 (-1.89)
Tokyo: Nikkei
37,173.70 (+299.63)

LONDON MONEY
3-month interbank:
closing $15\frac{1}{32}$ ($15\frac{1}{32}$)
Liffe long gilt future:
Mar $88\frac{17}{32}$ (88)

PRO-GOVERNMENT WORKERS RANSACK OFFICES IN ROMANIAN CAPITAL

Bucharest mob attacks opposition

By Victor Mallet in Bucharest

THOUSANDS of pro-government Romanian factory workers attacked the offices of leading opposition parties in Bucharest yesterday and the Government accused its critics of having tried to stage a putsch on Sunday.

Some party offices were vandalised in the early hours of the morning and the National Liberal Party abandoned its headquarters in the city centre to the protestors.

Mr Corneliu Coposu, leader of the National Peasants' Party, was evacuated from his office in an armoured car after Mr Petre Roman, the interim Prime Minister, made a vain appeal to the crowd for calm.

The workers had been bussed in by the authorities from the industrial areas of Bucharest and from as far away as Constanta, on the Black Sea, for a pro-Government demonstration at the headquarters of the ruling National Salvation Front in Victory Square.

The protestors, however, apparently exceeded their brief by ransacking opposition premises. There were fights between the NSF's supporters and opponents in the streets. "Down with parties!" said one placard, in an ominous message for those Romanians who have accused the Front's ex-Communist leaders of hijacking the revolution.

Mr Coposu said his party would probably abandon negotiations on power-sharing with the Front, which were due to resume on Thursday.

"Perhaps they have decided to restore the dictatorship here," he said, arguing that it was impossible to have talks in such circumstances.

Mr Ion Iliescu, the ex-Communist interim President, and Mr Roman, said they were willing to consider power-sharing when they had talks with the three main opposition parties over the weekend. At that time, the anti-Government protestors had the upper hand.

But yesterday the Front's confidence was restored by the latest demonstration by supporters, which was apparently organised in traditional Communist style by NSF factory committees.

Mr Iliescu waved to the crowd from the balcony of the Front's headquarters and said: "Under pressure we will never yield." However, at a later news conference, Mr Sylviu Brucan, a member of the Front's 11-member executive, denied that the Front had organised yesterday's rallies.

He said television and radio appeals on Sunday for supporters of Mr Iliescu to launch a demonstration to rival the one organised by students and opposition parties were an exaggerated reaction to a tense situation at the Front's headquarters. He said this had amounted to an attempted putsch by opposition forces.

Last night, the Front appeared to have gained the upper hand. But the euphoria which followed the overthrow of Nicolae Ceausescu last month has been replaced by near-anarchy in Bucharest and in the provinces.

The Front has accused its opponents of being funded by foreigners, thereby arousing nationalistic instincts which were exploited so successfully by the late dictator.

Iliescu waves to his supporters yesterday: "Under pressure we will never yield," he said.

E German military status splits allies

By David Goodhart in Bonn

A CLEAR difference of opinion has emerged between West Germany and its main Western allies, especially the US and Britain, over East Germany's military status in a future united Germany.

Mr Hans-Dietrich Genscher, the West German Foreign Minister, has spoken out emphatically in a newspaper interview against the insistence that East German membership of Nato should be a condition of reunification – a position currently being pushed by the US and British governments.

"Anyone who wants to extend the Nato borders to the Oder and Neisse (East Germany's border with Poland) is slamming the door on a united Germany," Mr Genscher said.

Mr Gerhard Stoltenberg, the Defence Minister, has also indicated that East German membership of Nato is not the only option for a united Germany and has spoken of "special security rules" between the Soviet Union and its former East European satellites.

In spite of this disagreement, however, diplomats stress that progress is being made in another sensitive area – revising the legal powers retained by the Western victor powers, the US, Britain and France, over West Berlin.

The special rights of the three powers, especially over Berlin's representation in the Bundestag in Bonn and air traffic into the city, is a potential conflict point with Bonn, but there are indications of movement in both areas.

Mr Friedrich Zimmermann, Bonn's Transport Minister, has been pressing for a relaxation of the rules which prevent any West German-owned airline carrying passengers across the inter-German border and restrict all flights into the city to three corridors. A gradual abandonment of these restrictions is now expected, with the first move coming in the next few weeks.

Ms Heide Pfarr, a minister in the West Berlin senate, has also said that the allies are looking favourably on a reform of the city's peculiar political status which forbids direct elections to the Bundestag and prevents those representatives who are sent to Bonn by the West Berlin senate from voting in the main chamber.

Imminent free elections in East Berlin have increased the pressure for change, which is now possible before the West German national election in December.

● Mr Hans-Jochen Vogel, chairman of the West German Social Democrats, said yesterday he would be nominating Mr Oskar Lafontaine, who has just been comfortably re-elected as Saarland's premier, as the party's Chancellor candidate.

He is likely to be confirmed at a special meeting of the party executive next month.

Belgium's Foreign Minister, Mr Mark Eyskens, yesterday criticised plans to investigate the withdrawal of Belgian troops from West Germany, opening a rift within the country's centre-left government, AP reports from Brussels. Even studying the idea of withdrawing some or all of Belgium's 25,000 troops was premature.

"It gives the impression Belgium wants to anticipate the results" of East-West negotiations in Vienna on conventional arms reductions in Europe, he said in a newspaper interview.

Communist party ceases in Poland

By Christopher Bobinski in Warsaw

POLAND'S Communist Party, which ran the country for over 40 years, has ceased to exist and has been replaced by two rival social democratic groupings set to contend for credibility from a hostile and mistrustful population.

In the small hours of yesterday the main congress hall of Warsaw's Stalinist Palace of Culture saw the Communist Party's flag carried out in silence for the last time. Some, visibly moved, broke into the Internationale and applauded Mr Mieczyslaw Rakowski, the party's last leader.

Earlier, Mr Tadeusz Fiszbakh, a former party chief in Gdansk supported by Mr Lech Walesa, left to set up his own Social Democratic Union with the support of around 100 of the 1,600 delegates. Some 1,200 others backed a move to establish a successor party called the Social Democracy of the Polish Republic which yesterday afternoon elected Mr Alexander Kwasniewski, a 36-year-old politician, as its chairman, and Mr Leszek Miller, 44, with a background in the party as its general secretary.

The ructions accompanying the transformation have left Poland's post-Communist Left severely weakened. Around 100 of the Communist Party's parliamentary deputies have so far failed to join either one or other group.

Mr Kwasniewski's party has one minister, Mr Adam Wieladek, in charge of transport, compared with the Communists' original four in the Government.

The majority of the 72 delegates representing the army left the Congress signalling their support for the move to depoliticise the armed forces.

Azerbaijanis and Armenians accept Baltic mediation offer

By John Parker in Moscow

THE warring nationalist groups of Azerbaijan and Armenia yesterday agreed to do with the Baltic popular fronts what they have so far refused to do with the government of the Soviet Union – sit down and begin peace negotiations.

Representatives of the Azerbaijan Popular Front and the Armenian National Movement said that they would send representatives to Riga, the capital of Latvia, for peace talks. The two sides are due to hold separate talks with the Baltic mediators tomorrow and to talk face-to-face on Thursday.

The talks will be held under the auspices of the Baltic Council, an organisation comprising the three informal nationalist groups there. The chairmen of the Latvian Popular Front, the Estonian Popular Front and Lithuania's Sajudis, will attend the meetings.

At the weekend, representatives of the Latvian Popular Front had flown to Baku to arrange the talks. The agreement to talk with the informal groups was reached the day after Mr Eduard Shevardnadze, the Soviet Foreign Minister, had made the clearest appeal so far from the Soviet Government for peace talks with the Azerbaijan Popular Front.

At a meeting with the Indian Foreign Secretary in Moscow, he said, that "as far as the solution of political problems is concerned, the Soviet leadership – as it has repeatedly stated – is categorically against the use of force. Dialogue is the main instrument in this case."

In an apparent rebuke to General Dmitri Yazov, the Defence Minister, who had said the troops had been sent to Baku to crush the power of the Azerbaijan Popular Front, Mr Shevardnadze added: "I want to point out once again that the introduction of troops was prompted not by some political goals connected with the suppression of dissent...but by the sole aim to end bloodshed."

Mr Gennady Gerasimov, the Soviet Foreign Ministry spokesman, yesterday confirmed the government's desire for negotiations. Speaking in Helsinki, he agreed that "we must negotiate with those who have power but it's very difficult to negotiate with extremists."

It is not clear who will represent the Azerbaijan Popular Front because many of its leaders have been arrested in Baku. A letter by the Front, however, said that the delegation would include a Mr Gadzhizade, identified as a member of its ruling council.

The agenda for the talks will include the future of the tens of thousands of refugees created by the conflict and the use of Soviet troops. The two sides, however, agreed not to discuss their territorial claims against each other.

Gorbachev 'downfall' predicted

SWEDISH Professor Anders Aslund, author of a book on the Soviet Union under perestroika, is convinced that the fate of President Mikhail Gorbachev and his reforms will be decided in the next few months, Reuter reports from Stockholm.

Prof Aslund's "Gorbachev's Struggle for Economic Reform" is the book which Newsweek magazine places "at the top of Washington's reading list."

Prof Aslund, a professor of economics and former diplomat to Moscow, concluded in his book that the Soviet economy was much weaker than estimated by the US Central Intelligence Agency and most western analysts, and the military burden far greater.

Unlike many analysts he sees Mr Gorbachev as a man committed to Western ideas such as market economics but who lacks the political power to set the Soviet Union on a truly liberal course.

The professor predicted last autumn's fall of the Czechoslovak regime. He predicted the early resignation of East German leader Egon Krenz. Now Prof Aslund says Gorbachev has slim chances of surviving the next two months.

If the President's conservative opponents are to oust him, they must act before regional and local elections in March, he said recently.

"The logic of the situation demands that this is when Gorbachev falls from power. Even the party apparatus itself says it will be wiped out in these elections," he said.

Aslund sees the Lithuanian Communist Party's break with Moscow last month as the main threat to Gorbachev.

"If Gorbachev recognises the independent Lithuanian party, a conservative majority on the Politburo will oust him.

"If he expels them, he will lose all authority with his liberal supporters, making it easy for the conservatives to push him out," he said.

Journalists strike over Italy media ownership

By John Wyles in Rome

ITALY'S RADIO, television and print journalists staged a 24-hour strike yesterday in support of their demand for early parliamentary approval of a law to regulate the concentration of ownership in the mass media.

The stoppage, which halts today's newspapers, reflects above all the concern generated by Mr Silvio Berlusconi's bid for control of Mondadori, Italy's largest publishing group, which accounts for 14 per cent of the daily newspaper and 17 per cent of the weekly magazine market.

The owner of Italy's three leading private television networks last week secured for himself the presidency of Mondadori, although his tenure could be overturned by challenges from the Italian financier, Mr Carlo De Benedetti.

His success has focused public demands for action on draft legislation tabled more than two years ago by the then Government which seeks to put limits on overlapping ownerships of TV and publishing.

The current Government led of Mr Giulio Andreotti has appeared uncertain whether it wishes to endorse the severity of the legislation proposed by Mr Oscar Mammi, the Minister of Posts and Telecommunications.

These aim to prevent the same proprietor from owning both a television station and a daily newspaper. The Socialist party, which has traditionally favoured Mr Berlusconi, wants to allow him more room for manoeuvre.

An additional pressure on Parliament comes from the Constitutional Court which will hold a public hearing today before ruling on the legality of Mr Berlusconi's networks, in the absence of any law regulating the television industry.

The Court also seems determined to rule on the question of concentration, and the Government and Parliament will be forced to comply with its findings unless legislation is passed before the final judgment is filed in a few weeks.

● A strike by rebel drivers halted half of Italy's train services yesterday in the first of several stoppages called over the next 10 days, Reuter reports. Rejecting the authority of the three main unions, they began a 48-hour strike on Sunday to press demands for a L400,000 (£190) monthly pay increase.

Mondadori, Page 29.

Communist reformers may quit to set up new Bulgarian party

By Judy Dempsey in Sofia

BULGARIA'S ruling Communist party opens its congress today against a background of bitter infighting between several factions which could eventually lead to a formal split.

The factions are loosely divided between conservatives, particularly those belonging to the party organisations in the provinces, and a group of intellectuals based in Sofia who favour a more social democratic ideology.

The social democratic wing, known as the Alternative Socialist Organisation (ASO), which is led by an academic Mr Kiril Vasilev, is heavily outnumbered by the conservatives who make up more than 70 per cent of 3,000 delegates at the congress.

The conservatives insist the party must retain its Marxist principles and they fully endorse the statutes which state categorically that the party "is a Marxist political organisation whose immediate goal is a democratic and humane socialist civil society."

Frustrated with the slow pace of political and social reforms, the ASO believes that unless the old guard is ousted at this congress there will be little point staying in the party. The reformers intend to hold a special conference on February 11 and, if defeated at this congress, will consider quitting the Communist party to set up a Socialist party.

The ASO also believes that if the party continues to carry the old guard it could face an embarrassing defeat in the elections scheduled for later this year. "What is really at issue is the survival of the party," said Mr Filip Bokov, head of the state-run radio and television.

A recent opinion poll gave 30 per cent of the vote to the Communists and 12 per cent to the Union of Democratic Forces, the umbrella organisation for opposition political movements; the remaining 48 per cent of those polled said they would abstain.

Were the ASO to leave the party, this would weaken the position of Mr Andrey Lukanov, number two in the leadership who is attempting to push through radical changes in the party's internal structures. He requires as much support as possible from the technocrats and reform wing of the party.

An indication of the seriousness of the splits emerged at the weekend during one of the most heated congresses yet of the Communist-dominated Union of Journalists. Despite attempts by conservatives to monopolise the proceedings – at one point, in an effort to create an atmosphere of panic and to swing the votes behind them, they said Mr Mikhail Gorbachev had died – the reformers managed to remove as union president Mr Radoslav Radev, dogmatic editor of the party newspaper, Rabotnischeko Delo.

Mr Stefan Prodev, a respected journalist who was sacked by Mr Todor Zhivkov, the former party leader ousted last November, was elected to succeed him.

The congress voted to ban all Communist party cells and political organisations from newspapers and publications run by the union. It also hopes to present a draft bill on freedom of information to the National Assembly in the coming months.

"What you saw at the journalists' congress will be symptomatic of the party congress," one prominent commentator said. "But the old guard will fight back. They will not give up easily."

Corruption charges grubby Gonzalez's one-nation embrace

Taming nationalist passions in Spain's regions is difficult when government is not seen to be clean, writes **Peter Bruce**

THE VISIT last week to Lithuania by a group of Catalan nationalists and an unexplained break-in two weeks ago at a Spanish government documentation office in Seville may have more than a little to do with each other. Both have landed with an unwelcome thump in Prime Minister Felipe Gonzalez's 1990 in-tray.

While Mr Gonzalez used to say that with the return of democracy would emerge a modern (homogenous) state and ethical government, he is now being confronted with menacing demands for greater independence by moderates in two of Spain's most important provinces and a rapidly widening corruption scandal involving his closest political confidant, deputy Prime Minister Alfonso Guerra.

At the best of times, Spain simmers with nationalist passions. Separatist terrorists operate from the Basque Country, Catalonia and, sometimes, Galicia. In Catalonia and the Basque Country, moderate nationalist parties control the regional governments. Normally, these parties maintain cordial, though strained, links with Madrid. In the Basque Country, Mr Gonzalez's Socialist Party governs in coalition with the Basque Nationalist Party, the PNV.

But the unravelling of Soviet hegemony in Eastern Europe and the pressure for independence in the Baltic states, has changed Spanish politics. Early last month, the governing Catalan party, Convergencia i Union (CiU), suddenly announced it intended passing a resolution in the regional parliament calling for *autodeterminacion* or self-determination. Within days, the PNV had decided to do the same. Although the resolutions would have no legal effect, they are politically-charged.

Both the CiU and the PNV have claimed they are talking only about greater autonomy and, privately, say they are trying to take an emotional issue off the streets (where the radicals rule) and institutionalise it.

The Government, however, has reacted as though they were trying to make a lunge for eventual independence. Under the constitution, all 17 Spanish autonomous regions operate statutes of autonomy, the Basque and Catalan ones being more generous than the others, and Mr Gonzalez has threatened to study any more progress on implementing the existing statutes in close detail.

The Prime Minister's biggest worry, though, has been the Spanish military. Senior officers have made it clear they will not tolerate the break-up of the country. Though the military has been quiet for nearly nine years, the attempted coup in 1981 has not been forgotten.

Felipe Gonzalez (left) and Alfonso Guerra: their brother's keeper?

In one sense, Mr Gonzalez may have overreacted. Neither Catalonia nor the Basque Country could survive economically outside Spain and, by definition, outside the European Community. But separatism is easy, popular politics. The visit to Lithuania last week by Catalan separatists and the CiU's recent decision not to oppose motions in favour of self-determination in Catalan municipalities are powerful reminders that the nationalist vote is growing in importance around both Barcelona and Bilbao.

There is little Mr Gonzalez can do – beyond asking his EC colleagues to warn the nationalists they would not be welcome as independent countries – but sit it out.

This is where Mr Guerra comes into it. The Socialists have for years been able to deflect criticism for lapsing into the kind of favouritism and nepotism practised during the dictatorship, and in fact, by practically all Spanish Governments before and after.

Detailed accusations have now emerged that Mr Juan Guerra, a brother of Mr Alfonso Guerra, has risen from book salesman to millionaire entrepreneur in just a few years, apparently by making use of his links with the Socialist Party. Juan, it has emerged, has been allowed to use an office in the central Government delegation's building in Seville from which he is alleged to have built up a business empire worth some $10m.

Though never a Government employee, his business card once firmly implied that he was. A flood of detailed reports in the last month has linked him to a company that bought property from state companies at rock bottom prices and another which has won a government contract to supply licence plates for official cars.

One of these companies was awarded a Pta145m (£800,000) subsidy to build a hotel in Andalucia though the hotel was never built and the money never paid out. Two weeks ago, a government office in Seville containing documents related to some of the property deals linked to him was broken into.

Juan Guerra, who was unemployed before the Socialists came to power in 1982, also acted as a minder to his brother when the deputy Prime Minister visited Andalucia, their home province.

Now under considerable pressure, Mr Gonzalez has persuaded his deputy to appear before parliament on Thursday to explain what his brother has been up to.

The opposition is calling for Alfonso Guerra's resignation. Although leading Socialists tried to explain away the affair as a carefully orchestrated press campaign against the deputy Prime Minister, such carefully documented allegations of corruption have never come so close to Mr Gonzalez and the Government is obviously rattled.

For Spain, separatism is probably more dangerous than corruption in government, but the Guerra affair will inevitably weaken the very weapon Mr Gonzalez needs to combat the nationalist snowball. "Modern" Spain was supposed to vanquish ancient regional tensions but it requires a whiter-than-white "ethical" centre to hold the ring. Mr Gonzalez's halo may be losing its shine.

Although both the big Catalan and Basque moderate parties have retreated a little on their self-determination adventures, neither can afford now to drop the issue. It is not surprising that, after visiting Hungary late last year to applaud the collapse of communist rule there, Mr Gonzalez has been uncharacteristically silent about the dissolution of the rest of the Soviet empire.

Pay strike shuts bank sector in Sweden

A COMBINED lockout and strike began yesterday in Sweden's banking sector, but businesses said they could weather its immediate effects, writes John Burton in Stockholm. The action – over pay levels for the country's 48,000 bank employees – is not expected to last more than a week, although the two sides are still deadlocked.

Swedish companies plan to rely on their foreign subsidiaries and overseas banks for financial transactions during the dispute, although they may face difficulties in paying some of their domestic workers and subcontractors.

The Stockholm Stock Exchange remained open yesterday in spite of the closure of the Securities Register Centre, but trading was light.

IG Metall points way with pay deal

The 2.5m-strong West German metal industry union, IG Metall, has reached agreement with a small employer near Frankfurt on a 5.5 per cent pay rise for the next 12 months and a 35-hour week to be introduced by April 1992. This is the first sign of how current negotiations with the metal industry employers could be resolved, writes David Goodhart in Bonn.

The union is pressing for a 9 per cent pay rise and a reduction in working time from 37 to 35 hours a week. The employers' opening offer – expected in the second round of negotiations next month – is likely to be around 3 per cent.

Japanese Y5bn loan for Hungary

Japan's Export and Import Bank will extend a Y5bn ($31m) loan to Hungary early next month, part of a $900m aid package Japan has promised Warsaw, a bank spokesman told AP in Tokyo. Japan will also give Y1.32bn in food aid to Poland later this week, Kyodo News Agency quoted Foreign Ministry officials as saying.

The food aid, in the form of wheat bought from Hungary and the US, will be given to the Polish Government through the United Nations World Food Programme, they said.

Greek attacks on ethnic Turks alleged

The Turkish Foreign Ministry last night issued a statement deploring alleged attacks by Greeks on the Turkish minority in Western Thrace and called for intervention by Athens in line with treaty obligations, writes Jim Bodgener in Ankara.

It said ethnic Turks in the Komitini district were attacked yesterday by Greeks, their mosques pillaged, and their human rights violated. It claimed Greek radio stations urged on the assault. The rights of the Turkish minority in Greek Western Thrace are protected by the 1923 Lausanne treaty.

The disturbances follow the sentencing on Friday to 18 months' jail and three years' civil rights deprivation of a former Greek parliamentary deputy, Mr Sadik Ahmet, and a Greek parliamentary candidate, Mr Ibrahim Serif, both ethnic Turks, for using the word "Turk" in campaign manifestos, according to Turkish press reports.

Serbia blames rival republics for riots

Yugoslavia's biggest republic, Serbia, yesterday blamed the rival republics of Croatia and Slovenia for ethnic Albanian riots at the weekend in which at least 14 people died, Reuter reports. The Serbian Communist Party politburo said the "deterioration of the political and security situation in Kosovo is primarily due to the blatant support ... by Slovenia and Croatia to the seccession of Kosovo from Serbia and Yugoslavia."

Meanwhile, ethnic Albanians demanding political reforms clashed with police yesterday in several towns in Kosovo.

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WORLD TRADE NEWS

Gatt in search of the line between cheap exports and nasty practices

Is charging less abroad than you do at home unfair trading – dumping – or is it just good marketing? asks **William Dullforce**

TALKS ON the General Agreement on Tariffs and Trade's anti-dumping code have reached a juncture at which governments must start setting realistic limits for what they can expect to achieve before the end of the Uruguay Round in December. However, it is already apparent that the dispute over the principle of anti-dumping is unlikely to be resolved.

Some negotiators feel they may even be running out of time to reach the more restricted objective of agreeing new rules for anti-dumping action which would at least let exporters know where they stand.

Dumping – the selling of a good abroad at a lower price than that for which the exporter sells it on his home market – and anti-dumping – the imposition by the importing country of a punitive tariff on the dumper – have turned into one of the most potent issues at stake in the Uruguay Round.

This is principally because of some exporting countries' growing agitation about the proliferation of anti-dumping measures and charges by champions of free trade that governments are exploiting anti-dumping as a last-ditch protectionist weapon and as a disguised form of industrial policy.

Japan has taken the vanguard in the anti-dumping battle within Gatt. In the first dispute in which it has called on the organisation to arbitrate, Tokyo has challenged European Community action against Japanese companies' so-called "screwdriver" assembly plants within the EC. Japanese officials make it clear that one of Tokyo's priorities in the Uruguay Round is to obtain clearer rules for anti-dumping.

In essence, the argument pits Japan, supported by Korea, Singapore and Hong Kong, against the EC and the US, who with Australia and Canada are the main users of anti-dumping. But the matter is more complicated than that because European and American exporters are also frequently the victims of anti-dumping action. Both Brussels and Washington have an interest in obtaining clearer anti-dumping rules, although so far they have taken differing approaches in the Gatt talks.

Gatt officials are concerned about the trend to introduce anti-dumping legislation among developing countries which have adjusted to Gatt free-trade principles by abandoning import licensing and reducing non-tariff restrictions. Mexico and Brazil are cases in point; Turkey and Morocco are moving in that direction.

In a letter sent to participants before the Uruguay Round negotiating group resumes its work tomorrow, Mr Chulsu Kim, the Korean chairman, has summarised the welter of conflicting proposals tabled by powers, like the US and the EC, who want to extend the net to catch smart dumpers, and those, like Japan, who want to stop what they see as abuse of the anti-dumping measures permitted by Gatt.

Mr Kim hopes that his summary will encourage the group to adopt a tight agenda for negotiating amendments to the code and, perhaps, for expanding its scope to cover the clever methods employed by dumpers to escape penalties.

Companies try to circumvent punitive tariffs by investing in "screwdriver" plants in the importing country and shipping in components or by exporting from subsidiaries in third countries. Brussels and Washington want these loopholes in Gatt's anti-dumping code plugged.

In imposing duties on products from Japanese assembly plants the EC undoubtedly exceeded its rights under the code but Brussels defends its action by citing a Gatt clause that allows a country to take action to prevent circumvention of a licit policy measure.

Repeat or recurrent dumping is another form of circumvention that both the US and the EC want covered in the code. A dumper may stop exporting when an investigation is opened so that the importing country has no legal basis for proceeding, and then resume exporting in massive quantities a couple of months later – a procedure which can be repeated ad infinitum. The US claims that foreign exporters of steel products have done this.

Japan and its allies attach great importance to improving procedures for anti-dumping action. They claim the EC and the US harass exporting companies by initiating dumping investigations on insufficient evidence. Buyers hesitate to sign contracts, the exporter goes through the ordeal of investigation, hiring expensive specialised lawyers, and some months later the case may be dropped.

Several key definitions in the Gatt code are causing trouble. Before it can impose anti-dumping duties, a government has to show that the domestic industry has suffered injury, that dumping has occurred and that there is a causal link. The code says a "major proportion" of the industry must be exposed to injury; some anti-dumping legislations put the proportion at only 10 per cent. The Japanese and Koreans seek clearer definitions of the concepts of "material injury" and threat of injury.

Conflict prevails over the ways in which governments calculate the dumping margin. Trade analysts allege that the EC has cheated when "constructing" the prices on which it has based its import penalties. Exporters want tighter rules.

The negotiations are riven over the distinction between dumping and normal commercial practice. Singapore and Hong Kong in particular propound the difference between predatory dumping and the adjustment of a price to the price level prevailing on an export market. Is it dumping when an exporter drops his price below that at which he sells at home in order to to be competitive on a foreign market, but without intending to push domestic producers out of the market?

It is here probably that a realistic limit for the Uruguay Round anti-dumping talks must be set. Under the present Gatt code, if your domestic price is higher than your export price, you are dumping – and neither the EC nor the US is likely to budge from that mechanistic concept.

The globalisation of industry, under which companies produce in more than one country, has undoubtedly stimulated dumping and led to more anti-dumping actions. Some companies behave in a way that would be impossible within a domestic market because of anti-trust regulations.

A realistic objective for the chief protagonists would be to agree in the next few months on new definitions and procedures for anti-dumping action that could simplify life for exporters.

SUMMARY OF ANTI-DUMPING ACTIONS

Reporting party	Reporting period	Initiation No. of countries involved	Provisional measures No. of countries involved	Definitive duties No. of countries involved	Price undertaking No. of countries involved	Outstanding actions
Australia	A	40	12	8	2	150
	B	20	10	5	1	49
Brazil	B	1	-	-	-	-
Canada	A	24	12	8	2	150
	B	20	20	18	5	159
EC	A	17	12	7	11	na
	B	30	10	4	5	na
Finland	A	5	3	-	3	na
	B	5	3	-	-	na
South Korea	A	1	-	-	2	na
	B	-	-	-	-	na
Mexico	C	2	12	2	-	na
New Zealand	C	4	1	1	-	na
Sweden	A	-	2	-	2	na
	B	-	-	-	-	na
US	A	41	55	38	2	151
	B	31	13	22	-	167

A: July 1 1986-30 June 1987
B: July 1 1987-30 June 1988
C: January 1 1988 - June 30 1988
na = not available

Source: General Agreement on Tariffs and Trade (Geneva)

Swiss account for half the value of world watch output

By John Wicks in Zurich

SWITZERLAND last year accounted for half the value of world watch and movement production, according to the federation of the Swiss watch industry.

Some 700m watches and movements were made worldwide last year, or about 7 per cent more than in 1988, a federation report says.

Total value is seen as having risen rather faster, to the equivalent of around SFr13bn (£5.2bn).

Swiss production is believed to have risen in value terms by 20 per cent over the year to approximately SFr6.5bn.

The average ex-works price per unit stands at some SFr80, against only SFr13 for Japanese products and SFr5 on average in Hong Kong.

The value of these exports from Switzerland rose 19.6 per cent last year to a record SFr6.04bn, against SFr5.15bn in 1988.

In comparison, the number of units exported rose by 5.6 per cent to 42.5m, excluding an estimated 30m unassembled movements. This reflects a further growth in the share of dearer products in total sales.

Leading markets for Swiss watches and movements in 1989 were Hong Kong, sales to which rose by 15.2 per cent to SFr1.04bn, the US (up 6.3 per cent to SFr839.8m) and Italy (up 20.2 per cent to SFr634.3m).

● Japan's Citizen Watch is planning to open joint venture marketing outlets in East Germany and other East European countries, company officials said yesterday, AP-DJ reports from Tokyo.

Citizen, Japan's second biggest watch maker, has been discussing the marketing plans with East European authorities, reportedly including those in Czechoslovakia and Poland, they added. The company was now awaiting responses.

In 1989, officials said, Citizen exported some 30,000 watches to East European countries through its subsidiary, Citizen Watch Europe in Hamburg, West Germany.

Because of strong demand, Citizen's exports to East Europe might jump to around 100,000 units this year.

Japanese lead consortium for Indonesia power unit

By John Murray Brown in Jakarta

A CONSORTIUM led by Sumitomo of Japan has won a $305m (£190m) contract to build the first two units of a proposed 2,000MW coal-fired power plant for the Paiton station in East Java. The agreement is for a turnkey contract with soft loan support from the World Bank and foreign export credit agencies.

The World Bank is helping to finance Sumitomo in building two turbine generators at a cost of $94m. C Itoh, also of Japan, and Combustion Engineering, the US group recently acquired by Asea Brown Boveri, the European power group, are to supply steam generators at a cost of $210m. The deal is supported by the US Export-Import Bank and the Canadian Export Development Corporation.

PLN, the Indonesian utility, says the plant will be in commercial operation by 1994. Coal is to be supplied from privately-run mines in Kalimantan. The accord ends lengthy talks on contract terms. The World Bank had refused to finance the project unless PLN was committed to raising tariffs to give investors a reasonable return. Rates were raised 20 per cent.

Metallgesellschaft in new deal with East Germans

By Andrew Fisher in Frankfurt

METALLGESELLSCHAFT, the West German engineering, metals and mining group, has signed its second contract with East Germany since the border was opened last November.

It will build a secondary copper mill in a joint venture with Mansfeld Kombinat, the East German metals concern, and Intrac, the East German foreign trade organisation.

No value was given for the deal, but industry officials said it was worth more than DM200m (£71m).

The mill will produce copper from scrap metal by a process which minimises air pollution, a serious problem in East Germany.

Mr Henning Rost, managing director of Mansfeld Kombinat, which employs 46,000 people, said that under the previous East German régime, approval for such environmentally-oriented investments would not have been forthcoming. "Now, we can go ahead with such projects."

With the new smelter, production of much-needed copper, for both domestic and export use, could be assured and jobs maintained.

The copper mill will be built by Lurgi, a subsidiary of Metallgesellschaft, which said it was talking with Kombinat Mansfeld and Intrac about several other projects.

In November, Metallgesellschaft won a DM225m order for modern, clean-emission power plant equipment at the Buna chemicals complex near Leipzig.

● Metallgesellschaft has signed an exclusive long-term agreement with the Caribbean Methanol Company (CMC), based in Trinidad and Tobago, to market up to 500,000 tonnes of methanol yearly, the West German company said, Reuter reports from Frankfurt.

The methanol will be produced in a plant in Point Lisas, Trinidad, due to start up next year.

Exporters welcome Sri Lanka's 'freer shipping' rules

THE Sri Lankan government's decision to end the 17-year monopoly of the state-run Ceylon Freight Bureau (CFB) and liberalise shipping has been widely welcomed by the island's traders, exporters and investors, Mervyn de Silva reports from Colombo.

Since 1973, the CFB alone allocated space for all exports and imports.

The only exception to the new rules is the "UK and north continent area", for which the CFB will still be the sole authority. But that exception will end too, on December 31.

Colombo used to be a leading port and transhipment centre, "but we lost that position to Singapore," said Mr A.M. Mansour, Trade and Shipping Minister. "The recovery has now begun."

Mr Mansour was echoing Mr Lee Kuan Yew, Singapore's Prime Minister, who said Sri Lanka's mistakes had become Singapore's opportunity, and a lesson on what to avoid. He was referring to the crippling port strikes in Sri Lanka in the 1950s.

The CFB was created by Mrs Sirimavo Bandaranaike's government when it hit foreign exchange difficulties.

"The CFB was supposed to stop the foreign exchange drain but the state monopoly only led to bureaucratism and corruption," a spokesman for the National Exporters' Association said.

These problems resulted in long delays which raised freight rates and operating costs. Pressure for de-regulation came from the local export trade and foreign shipping companies.

Exporters, especially the fast-growing garment trade, complained they could not keep to the seasonal deadlines of big chain stores in the US, Europe and Japan. Traders in general argued for competitive freight rates.

Liberalising fits the broad framework of Sri Lanka's agreements with the International Monetary Fund and the World Bank.

Debating club where members prefer the nod and the wink

Robert Thomson speaks to young hopefuls at the traditional breeding ground of Japan's notorious old-boy network

GRAFFITI and defaced posters scar the walls, the ashtrays overflow with stubbed butts, and stuffing has been pulled from the vinyl chairs. The talk is of philosophy, of the changing values of Japanese youth and of the parties' prospects at the coming election.

The smoky, cramped headquarters of the Waseda University Debating Club have long been a breeding ground for Japanese leaders. Mr Toshiki Kaifu, the present Prime Minister, polished his oratory skills at the club, and Mr Noboru Takeshita, a past Prime Minister and still a powerful numbers man in the Liberal Democratic Party, was a member.

Mr Kaifu, tied to a small faction in the LDP, has needed the support of the club's old-boy network, which includes several present and past ministers with considerable influence within other, stronger factions. And the old-boy business connections have always been a help when it comes to campaign fund-raising drives.

During a brief visit to London earlier this month, Mr Kaifu found time to attend a gathering of 120 Waseda alumni, and, in Tokyo, there is the "20th Club", whose members are business leaders educated at Waseda and who meet, as the name suggests, on the 20th of each month.

Back at Waseda, Mr Shuzo Kogure, 22, a commerce student and the debating club president, doesn't think the outcome of the February 18 election matters much: "The bureaucrats have the real power, and these bureaucrats protect the interests of Japanese companies."

Some members of the Waseda University Debating Club polishing their skills in fast talking

The LDP will not get Mr Kogure's vote. Mr Hajime Hirota, 21, a social science student with serious political ambitions, is likely to support the ruling party, but complains that ordinary Japanese are given little insight into policy making and are generally neglected.

There is a lot that the 60 club members, all men, don't agree on, but then that's why they join the club. As one member explained: "We don't come here to learn debating techniques, we come here to exchange ideas."

Debate starts with the club's history. The members agree that the club began in 1902 after Waseda students rallied behind farmers whose fields had been ruined by waste from a copper mine. The precise details of the protests are a matter of debate, as are the circumstances of a factional fight in 1978 that prompted the club to draw up formal rules protecting "freedom of expression."

Virtually all new students are aware of the Waseda Debating Club, and fresh members are easy to find at the beginning of each university year. Women are allowed, and Mr Kogure, his long hair tied in a pony-tail, says that the only pre-requisite is a chat with club officials.

"The person should show a desire to improve himself, but it is not the sort of club that everybody wants to join," he said. Mr Kogure, by the way, hopes to be a writer, not a politician.

Each year, a few members get work with a political party or trade union, and tend to climb through the ranks. Others take a more conventional job in a company.

The club's office bearers also have a record of going on to higher office. In 1953, a 20-year-old Toshiki Kaifu was assistant secretary, Takao Fujinami was another assistant secretary and Kozo Watanabe was president.

Mr Fujinami, a former Chief Cabinet Secretary, has a dubious fame through having been indicted for allegedly accepting bribes as part of the Recruit stock scandal.

Undaunted by the indictment, the part-time poet and longtime LDP loyalist launched his campaign on Saturday for the coming election.

Mr Kozo Watanabe, Home Affairs Minister, endorsed Mr Kaifu's candidacy for LDP leadership, and was joined in the endorsement by Mr Takeo Nishioka, a former Education Minister and a member of a different faction, but, importantly, an old boy of the Waseda Debating Club.

Other past members include Mr Hikaru Matsunaga, the Minister of International Trade and Industry, and Mr Hiroshi Mitsuzuka, a former Foreign Minister, and now the chairman of the LDP Policy Affairs Research Council. Then, there is a collection of lesser-known politicians influential in the complex network of LDP factions, and a few others who have reached senior positions in the opposition parties.

The LDP lustre has dulled at the debating club, and at an informal gathering of 10 members, the spread of opinions was from Left to Right, and most points in between.

All seemed to agree that the Japanese political system was in need of change.

When asked about the attitudes of young Japanese, Mr Kogure stressed that "first of all, you must appreciate that this is an élite university." He said Japanese think seriously about matters that directly affect them, but, on other issues, "they often don't have a strong inclination to express themselves."

That cannot be said of Mr Kogure and the members of his club, who have strong opinions on most issues and who shatter the foreign stereotype of young Japanese as conscious of fashion, group goals, politeness and not much else.

Malaysian plantation workers set to strike

By Lim Siong Hoon in Kualar Lumpur

MALAYSIA'S farming sector in rubber, palm oil and cocoa faces a crunch tomorrow when 60,000 plantation workers begin an indefinite strike.

The three crops combined account for 15 per cent of the total 60.5bn ringgit (£13.6bn) in exports last year. Efficiency, good productivity and low wages at the plantations – started a century ago under British rule – were responsible for turning the country into the world's biggest supplier of palm oil and the third biggest in cocoa in just a decade.

The industry reports 10 to 16 per cent in net margins, higher than all non-oil industries, according to one independent study.

The workers who are demanding a greater share of this income are mostly rubber tappers, members of the 200,000-strong National Union of Plantation Workers (NUPW).

They want a guarantee of a basic wage of 240 ringgit a month, or 52 per cent of the average per capita income.

This is the heart of the dispute between the NUPW and the Malaysian Agricultural Producers Association (MAPA). Among its members are Sime Darby, Guthrie, and Harrisons Malaysian Plantations.

A tapper's existing wage structure is a flat 7.90 ringgit daily rate for the first 10 kilos of rubber latex they produce, plus a scaled commissioned rate based on tonnage and rubber prices. So the take-home pay averages 15 ringgit, or 450 ringgit a month – provided the worker taps at 600 healthy trees every day, produces 20 kilos at least, and if prices are good.

Plantations despise monthly wage payments because they stand to lose up to six days of output. But this is not their worst fear. If they accede to the tappers' demand now, they will have set a precedent deal for the 140,000 other NUPW members who work on the oil palm and cocoa crops.

For reasons that have to do with cost and profitability, national rubber output has been stagnant at 1.5m tonnes annually for the past four years. So plantations shifted to the more profitable but more labour intensive, in terms of hectare-worker ratio, oil palm and cocoa cultivation. So the resulting effect from similar changes to other wage structures would mean another step into an uncertain future for the plantations.

The NUPW is determined to press its claims. In its favour is a labour shortage, around 10,000 in 1987, ironically contributed to by low wages and expanding cultivation of oil palm and cocoa. The shortage grows at between 4,000 and 6,000 a year.

Backed by the Government, the plantations have been importing Indonesian workers to fill jobs. As many as 500,000 have entered the country, most of them illegally.

One disadvantage for the NUPW is that rubber, palm oil and cocoa prices are at a two-year low.

The daily wage agreement between the NUPW and MAPA expired a year ago, while the monthly wage proposal has been outstanding for 10 years.

After MAPA rejected the proposal, the tappers voted last month to strike, then both sides called in the Government last week to mediate.

Government institutions own controlling equity stakes in the largest plantations, but the Government itself has been taking an even-handed approach to the dispute.

Israel puts funds aside for Soviet Jews

By Hugh Carnegy in Jerusalem

THE escalating cost to the Israeli Government of a flood of immigrant Soviet Jews was sharply exposed yesterday when Mr Shimon Peres, the Finance Minister, included provisions of Shk1bn (£311m) to help absorb the newcomers in his budget for the 1990-91 fiscal year.

Budget documents acknowledged that this figure, already approaching double the level spent in 1989, may well turn out to be only half the expenditure that will in fact be needed if the number of immigrant arrivals reaches the 80,000-100,000 level now being officially predicted. The budget was drawn up on previous estimates of 40,000 immigrants in 1990.

Soviet immigration, which has accelerated greatly in recent months because of *mounting uncertainty in the* Soviet Union and restrictions on entry to the US, was the dominant topic as Mr Peres presented the budget to the Knesset (parliament). Already the subject of political controversy because of its potential effect on the Jewish-Palestinian demographic balance, Soviet *aliyah* (ascension, as it is called) is also a big economic issue.

Treasury officials freely acknowledge the cost of absorbing the newcomers may skew their calculations on the Shk64bn budget, possibly swelling a projected budget deficit of Shk3.8bn, or 3 per cent of gross national product – a result intended to show an improvement over this year.

Immigration costs are also likely to make more difficult Mr Peres's intention to continue the slow process of reducing the Government's role in the economy. He is reluctant to resort to additional taxation to fund absorption. He intends to stick to a 3 per cent cut in corporation tax to 42 per cent and ease the income tax burden by raising threshholds and cutting top marginal rates, offset by a VAT rise from 15 to 16 per cent.

Mr Peres's options are already heavily circumscribed by the huge burden of debt service and defence, accounting for 37.5 per cent and 20.3 per cent of the budget respectively.

Jakarta reduces role of credit subsidy in monetary system

By John Murray Brown in Jakarta

INDONESIA yesterday announced a radical overhaul of central bank credit policy, the final stage in a seven-year programme to modernise the country's banking industry.

The changes reduce the place of subsidised credit in the monetary system and aim to restrain growth in the money supply, at the same time redirecting priority funds to small enterprises and farm co-operatives.

The moves put the banking system on a proper footing and leave Bank Indonesia, the central bank, in a more conventional backseat role as lender of last resort.

The reforms, unveiled by Mr Adrianus Mooy, the BI Governor, envisage sharp cuts in BI's subsidised lending operations, the so-called liquidity credits. Interest on subsidised programmes is also to be brought *closer to market rates*. For example subsidy on the KUT co-operative credit is cut, with the interest rates raised from 12 per cent to 16 per cent, though some economists believe this is still too low to allow sound lending to small farmers.

In addition banks are to be forced to allocate 20 per cent of their loan portfolios to small businesses, with assets less than Rupiah 600m (£202,000). The maximum loan will be Rp200m. Foreign and foreign joint venture banks are exempt.

Yesterday's announcement is the latest of a string of reforms aimed at improving efficiency of banks striving to finance the growth of the world's fifth most populous country.

It comes after earlier moves to boost the role of co-operatives in a restructuring of the economy amid renewed criticism of the dominance of private businesses or *conglomerasi. Liquidity credits formerly* channeled the Government's large oil receipts to the state banks and were used to refinance lending to priority sectors at subsidised interest rates.

They will now be allocated for co-operatives and small farmers. Also given priority is Bulog, the state logistics agency and market intervention board, which provides price support for key commodities like rice and sugar.

Since 1983 liquidity credits have risen by an average of Rp1,600bn a year and now stand at Rp16,700bn, around 30 per cent of total bank credit.

Mr Mooy described the system as inflationary and a burden on the small businessman and those with a fixed income. He said people now think of the programme as a social institution not a regular bank loan.

Because of the distortions Mr Mooy said it was also difficult for commercial banks to reduce *interest rates, which at* around 20 per cent are still among the highest in the Asian region.

Tamil Tigers take control of Jaffna as Indians leave

By Mervyn de Silva in Colombo

INDIAN troops have pulled out of Jaffna, leaving the northern town in the control of the Tamil Tiger guerrillas they fought for more than two years.

The troops, who are scheduled to complete their withdrawal from the island by the end of March, evacuated Jaffna at the weekend and pitched camps at an airfield about 12 miles away.

The unannounced evacuation caught many Jaffna residents by surprise. One resident reported that the Tamil Tiger flag was flying all over town, shops were open, traffic was abnormally active and people were thronging the roads.

Jaffna, 186 miles north-east of Colombo, has been at the heart of the Tamil separatist revolt since it erupted in 1983.

An Indian peacekeeping force has been trying and failing to bring peace to the ethnically divided island since 1987.

The Indian evacuation leaves only one major town still patrolled by the peacekeeping force – the deepwater port of Trincomalee, 147 miles north-east of Colombo.

An Indian departure from Trincomalee is expected to trigger a power struggle within the Tamil movement because the city is the base of three pro-Indian Tamil groups opposed by the Tamil Tigers.

One of the many negative consequences of the continuing ethnic violence is that more than 1,200 Sri Lankan doctors have left the island in the past two years. The Government desperately needs to recruit at least 500 immediately to run basic health services.

"Up to the mid-1980s, the exodus was largely Tamils fleeing the country because of ethnic strife, but in the recent past 90 per cent of those who have left are Sinhalese," said a Health Ministry official.

More than 600 left the country last year when protest strikes and terrorist death threats paralysed the universi*ties and the privately-run* Colombo Medical College. Many of them have found jobs in the Middle East and Africa.

Growing fear of clash over Kashmir

By Our Foreign Staff

SRINAGAR, the capital of India's north-west state of Kashmir, remained tense yesterday as anxiety increased in the Pakistani capital of Islamabad about a possible clash between India and Pakistan.

The curfew imposed nine days ago in Srinagar was lifted again yesterday for seven hours. The army and paramilitary forces patrolled the streets in strength while people used the relaxation of the curfew to stock up on essential goods from the shops. At Lam, in south Kashmir, one person was reported killed and 21 injured during anti-Indian demonstrations.

Although both India and Pakistan went out of their way at the weekend to underline their desire to settle the emotive Kashmir issue peacefully, talk of war has sparked concern among diplomats.

Mr Inder Gujral, the Indian Foreign Minister, said unequivocally that India did not want a third war with Pakistan over Kashmir. His Pakistani counterpart, Sahabzada Yaqub Khan, repeated the sentiment.

But a western diplomat in Islamabad said: "Both governments are weak and I think there is a real danger that they will be pushed into an escalating cycle of rhetoric."

Diplomats agree there is no immediate danger of conflict but said minority governments in both Islamabad and New Delhi could bow to vociferous public opinion. Much may depend on whether Pakistan's opposition parties try to use Kashmir as a weapon to whip up popular emotions against Ms Benazir Bhutto, Pakistan's Prime Minister.

India has received assurances from its major ally, the Soviet Union, that it continues to regard Kashmir as an integral part of India.

Mr S.K. Singh, the Foreign Ministry's senior official, returned from Moscow yesterday after seeking support from the Soviet Union that it would continue to use its veto to block any attempts by Pakistan to raise the Kashmir issue in the UN Security Council. Mr Singh's visit was part of intense diplomatic lobbying by India to try to woo international opinion to its side.

Moscow assails Israelis over immigration

THE Soviet Union yesterday accused Israel of hindering Middle East peace efforts by planning to use emigrating Soviet Jews to force Palestinians out of the occupied territories, Reuter reports from Moscow.

A Soviet spokesman said that Mr Yuli Vorontsov, the first deputy Foreign Minister, had made the denunciation at a meeting with Mr Arye Levin, Israel's chief representative in Moscow.

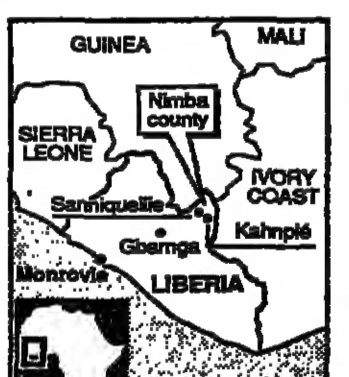
In Lisbon, the Palestine Liberation Organisation said Soviet Jews were being forced to go to Israel and condemned plans to resettle them on occupied Palestinian territory.

Mr Bassam Abu Sharif, political adviser to Mr Yassir Arafat, the PLO chief, said the *50,000 to 100,000 Soviet Jews* expected to arrive in Israel this year had nowhere else to go because all other doors had been closed. "Soviet Jews are being forced to go to Israel. We can say it is similar to detention," he said.

US advisers help Liberia deal with rebels

By Mark Huband *in Sanniquellie, Liberia*

US MILITARY advisers have been drafted in to help Liberian government troops fight a rebel incursion amid claims of army atrocities committed against civilians.



Two US Rangers arrived last Tuesday in Nimba county, scene of the fighting in the north of the country.

Liberia, founded by freed American slaves in 1846, has been a major recipient of US aid, but assistances has fallen off recently following criticism in the US Congress of President Samuel Doe, who seized power in a military coup in 1980, when he was 28-year-old master-sergeant.

American involvement in the conflict, which started on December 24 when 200 rebels of the little known National Patriotic Forces of Liberia crossed from the Ivory Coast, follows an admission by captured insurgents that they had received training and weaponry from Libya.

The American arrival coincided with the loss to the rebels of the town of Kahnplé. Heavy bombardment of the town began on Friday when army tanks and artillery were moved into the area.

At the army base in Sanniquellie, personnel refused to comment on the exact role of the US, though on Saturday afternoon the Rangers were seen returning to the town in battledress from the area of the fighting.

The US Embassy's information bureau in Monrovia said the military mission officers were performing an advisory role only and were not engaged in combat operations.

Despite condemnation by the US of intimidation and violent treatment of civilians by the Liberian armed forces, there is increasing evidence of military brutality.

More than 70,000 Liberians have fled Nimba county to seek refuge in neighbouring Guinea and the Ivory Coast.

Nimba county is a stronghold of the Gio tribe, from which many of the rebels are drawn. The army is dominated by the Krahn tribe of President Doe. Army action against civilians has led to some 300 civilian deaths.

The Government does not appear threatened by the incursion. However, the economy of Nimba county has been badly bit.

Although iron ore production at the vast Liberian American Mining Company (Lamco) site in Yekepa has continued, there is a danger that production could be disrupted. The Lamco employees' families were evacuated earlier this month. Iron ore is the country's biggest export, earning $218m (£131m) in 1987.

Timber production, the region's second biggest export and which brought in $36m in 1987, was halted last week when lorries from the two main companies were evacuated to the town of Gbarnga, south of Nimba county.

Coffee production, worth about $10m a year, and cocoa, are both expected to suffer as farmers flee the region.

Fear of the army, particularly during the dusk-to-dawn curfew which has been imposed throughout Nimba county, has played a significant part in creating the exodus of refugees.

However, the rebel force, led by a former civil servant, Mr Charles Taylor, has little support. Mr Taylor, who fled to the US in 1984 following accusations of embezzling $900,000, jumped bail in America during extradition proceedings.

The changes are in place, but Tunisia's bureaucratic past lives on

Despite an early start to reform and a more relaxed atmosphere, politics and economics are still closely regulated, writes **Michael Field**

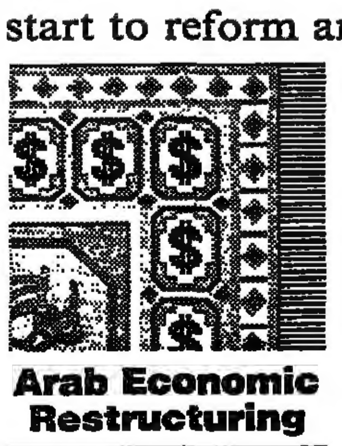
TUNISIA was not a happy country during the 1980s. The economic and social initiatives that gave it fast growth and stability during the 1960s and 1970s – the programme of education and the development of oil, tourism and offshore manufacturing – had run their course.

The Government could see no other obvious means of providing employment for its fast-expanding young population. That population has now reached nearly 8m. It is growing by 2.2 per cent a year. About a quarter of the workforce is unemployed.

To make matters worse, in three of the last four years there have been bad harvests. Up to two thirds of the country's wheat has had to be imported.

Food subsidies, costing some 380m dinars (£253m) in 1989, are equivalent to the Government's budget deficit. When the Government tried to lower the deficit by reducing bread prices sharply in 1984 there were riots.

Tunisia's advantage is that it began to tackle these problems



earlier than most other Arab countries. In 1987 President Ben Ali took over from the ailing Habib Bourguiba, whose later years had been marred by an endless round of palace intrigues.

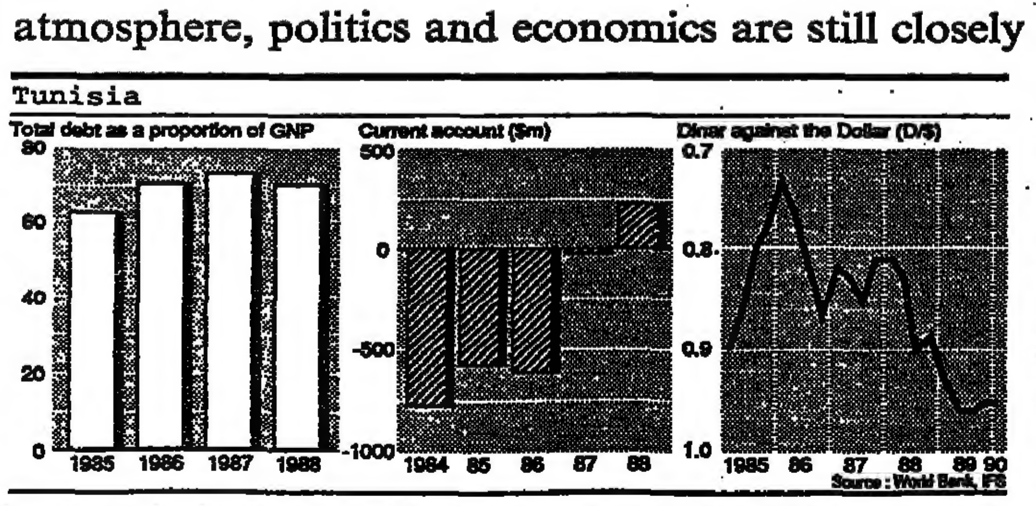
President Ben Ali has not so far brought a material improvement to his people's lives but the political atmosphere is much more relaxed under his rule and there is greater faith that the country now has the right political base for reform.

Economic reforms were started in 1986, a year before President Ben Ali's arrival, and he has continued and expanded the programme. The stimulus for the government action was the collapse in the price of oil, which at the time was the country's biggest source of foreign exchange.

By acting early the Government avoided having to reschedule its debts. At present it owes some $7.5bn, and debt service takes about a quarter of the country's foreign exchange income.

The International Monetary Fund and the World Bank are involved with the reform programme through the World Bank giving loans to back specific new policies, and, as with rescheduling agreements elsewhere in the Arab world, each deal being linked to the Government pushing through a specific set of changes.

The reforms of the last three years have included the successful introduction of valued added tax (which the Tunisians say shows how well they are in harmony with the European Community) and the liberalising of imports. Some tariffs



have been reduced and most items of capital equipment and semi-finished goods have been removed from the import licensing system.

The dinar has been devalued in stages by about 40 per cent and the intention is that in the early 1990s it will be floated, which will make it convertible.

The banking system has been partly deregulated. Citibank has recently been allowed to establish a full branch for domestic business and the Arab Banking Corporation has been given a licence to do the same. It is hoped that their arrival will inject some competition into the system.

Lending rates are no longer set by the central bank, except for loans to agriculture and housing, but there are still regulations governing the amounts of banks' assets that must be lent to different sectors of the economy.

A recent reform, being pushed through on the insistence of the President, is the reduction of the top rate of income tax from 65 per cent to 35 per cent, combined with measures to ensure that the lower amount really is paid.

The main difficulties encountered by the Government have been in reducing subsidies and its budget deficit. Petrol prices have been raised to international levels but in real terms hardly any cuts have been made in the subsidy to bread and other wheat products.

Other difficulties have been in the privatisation of government enterprises. In the last year the state has sold 20 businesses, but most of these were small – many were hotels – and most buyers were individuals. The only big privatisation, the flotation of a glass bottle manufacturer, was a failure.

From businessmen's point of view the most exciting development recently has been the encouragement of offshore trading companies, which will engage in international transactions often requiring specialist regional knowledge and contacts, of the type associated with Lebanese merchants.

The feeling in Tunis now is that most of the necessary reforms have been made but that the system works against their being effective. Although Tunisia gives the impression of being a fairly liberal, enterprising society, it is actually closely regulated economically and politically. A socialist system took root in the 1960s and it is proving difficult to change.

"The mentality of officials is that one needs approval for every minor transaction," a banker remarked recently. "They have little understanding that the transactions are simply not regarded as part of a government's business elsewhere in the world."

Part of the bureaucrats' reason for clinging to obstructive regulations is that it gives them an opportunity to increase their meagre salaries by accepting bribes. More important, the existence of rules gives them status.

The hope is that the bureaucracy will become more flexible and private investment will increase before the country is overwhelmed by rising unemployment.

If the hand of government can become lighter the country will be able to exploit its considerable assets, which include a good infrastructure, a well-educated, outward-looking middle class and a reasonably skilled and cheap labour force which makes it an attractive manufacturing base for European companies.

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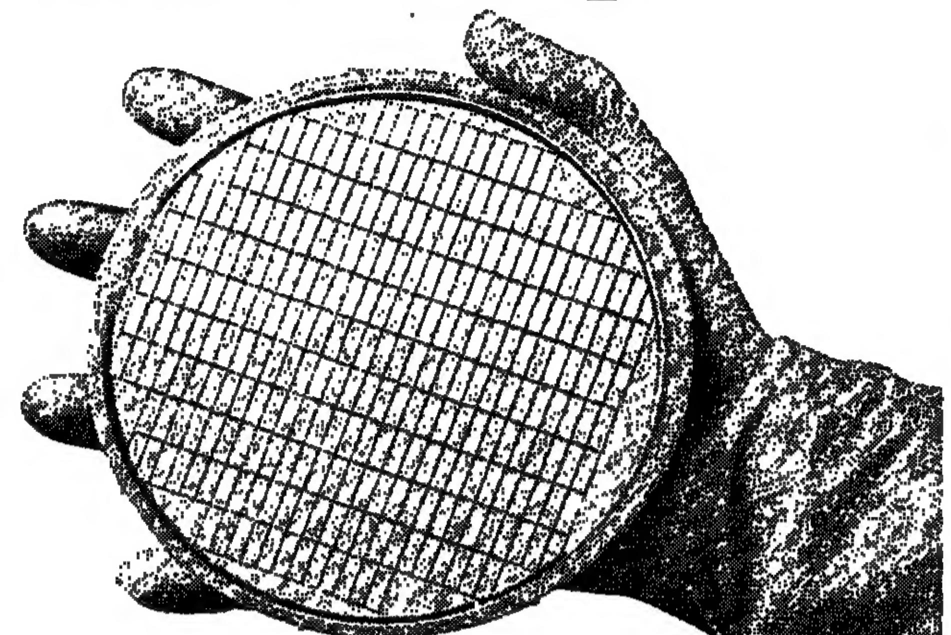

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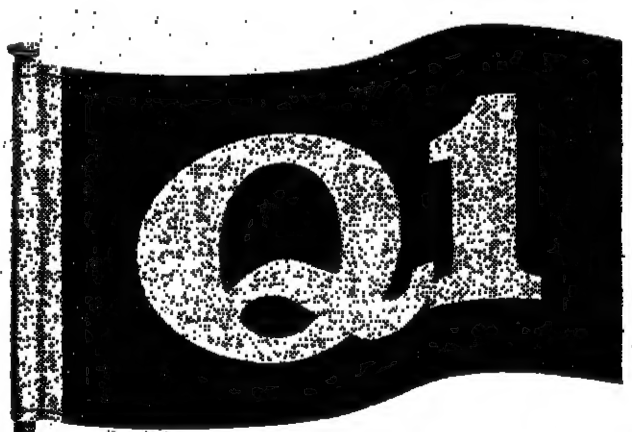

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Building On Beliefs

MOTOROLA

Hurd asks US to help boost HK confidence

By Lionel Barber in Washington

MR Douglas Hurd, British Foreign Secretary, yesterday asked the Bush Administration to shore up confidence in the future of Hong Kong by offering US passports to colony residents employed by US companies.

The move, which would require legislation, is aimed at stemming the exodus of the Hong Kong middle class in the run-up to 1997, when Britain is due to hand over control to communist China.

Mr Hurd lodged his request during a working lunch with Mr James Baker, US Secretary of State, in which the two foreign ministers held wide-ranging talks on the future shape of Europe, German reunification, and closer US-EC ties. Mr Baker noted the passport request but failed to endorse it, according to Mr Hurd.

During their discussion, the two ministers apparently failed to resolve differences over the Vietnamese boat people in Hong Kong.

Referring to the onset of the sailing season and the prospect of a further 30,000 to 40,000 Vietnamese arrivals, Mr Hurd signalled that mandatory repatriation might be required to deal with the influx.

The US last week reiterated at an international conference in Geneva that it was opposed "in principle and practice" to mandatory repatriation, but found itself isolated along with Vietnam.

Mr Hurd voiced no objections to the US proposals announced yesterday to wind down three US bases in England: Greenham Common, Wethersfield, and RAF Fairford.

The move was compatible with the conventional forces talks in Vienna and with US membership of Nato, he said.

On the future of Europe, Mr Hurd said he had talked about German reunification "in the EC context, the Nato context and the Four Powers governing Berlin" (France, Britain, the US, and the Soviet Union). The two ministers had also discussed "what needs to be kept, what needs to be changed" in a new European order.

In this context, Mr Hurd suggested, the upcoming East-West conference in Ottawa would embrace more than simply the US "Open Skies" proposal for intrusive monitoring of troop movements in Europe.

FDA approves drug for AIDS infections

By Alan Friedman in New York

THE US Food and Drug Administration (FDA) yesterday approved the use of fluconazole, a drug which represents a breakthrough in the treatment of two AIDS-related fungal infections, one a life-threatening form of meningitis.

Meanwhile, the FDA's advisory committee met yesterday in Bethesda, Maryland to consider whether to approve the use of the drug AZT (or Retrovir) for infected, but not seriously-ill, AIDS patients. AZT, made by Wellcome, the UK drugs company, is the only anti-AIDS treatment.

The US regulatory agency is expected to announce today that it will allow more general use of AZT, which has generated controversy among AIDS sufferers because of its high price.

Fluconazole, which was developed by Pfizer, the US pharmaceuticals company, is likely to become a highly useful treatment for AIDS patients who develop cryptococcal meningitis, an inflammation of the brain and nervous system.

The drug will be marketed in both a tablet and intravenous form under the trade name Diflucan. It first came onto the world market six months ago when it was approved by drug authorities in Japan.

Argentines unworried by bugging of the president

By Gary Mead

WHEN the First Lady of Argentina flounces out of the presidential residence, things begin to seem a little rotten in the state of Argentina. Zulema Yoma de Menem, President Carlos Menem's wife, has discovered bugs – specie John le Carré, not Darwin – in the Olivos palace.

"There are firm clues," says Mr Alberto Kohan (secretary general of the Casa Rosada, government house), in his best Sherlock Holmes style. So far he has not said what those clues reveal. The handful of bugs, discovered at the weekend, apparently function over short distances only and are thought to have transmitted to vehicles outside the Olivos residence.

But the revelation that Mrs Menem's private chats have been overheard has failed to excite public interest.

Last week we also heard Mr Menem reveal that telephone death threats had been made against Mr Erman Gonzalez, the Economy Minister, though he did not go into details about them. The only threats which are apparent to the general public are those Mr Gonzalez himself has recently made about the survival of a deathbed economy.

Argentines do not expect to learn who made the death threats, or who planted the bugs in Olivos. Most gave up trying to discern fact from fiction when the Menem administration told them that December's retail price inflation was only 40 per cent, a figure which tallied with no-one's experience at the supermarket, where prices doubled and trebled in the month.

Many believe both death threats and listening devices to be little more than a crass diversion tactic, to re-focus attention away from penury and towards an enemy.

Naturally, full investigations have been promised. But most expect these to go the same way as those promised for allegations of multi-million dollar ministerial corruption at the start of last December. The ministers then under suspicion continue in their posts. Mrs Menem is expected to be back soon.

Salinas hopes to sell a country come of age

Robert Graham interviews the Mexican President on his first formal visit to Europe

WITH near missionary zeal, President Carlos Salinas de Gortari is determined to convince the sceptics in Europe that Mexico has come of age and is emerging from the debt crisis as a land of opportunity.

Accompanied by his key ministers, advisers and a select group of businessmen, he has turned his first formal visit to Europe since taking office 13 months ago into a gruelling hard-sell mission.

"The message we are bringing to European investors", President Salinas told the FT in an interview at the beginning of his three-day visit to Britain, "is that Mexico is in a strategic position. It is a big market of 85m people which by the end of my [six-year] administration will have grown by another 10m; Mexico borders with the world's biggest market and has access to two oceans."

The president is clearly concerned that just when Mexico is confident of having established the right environment to attract European investment, interest will be distracted by the prospect of fresh opportunities opening up within a fast changing Eastern Europe. Such concerns will be clearly expressed later in the week when he visits West Germany. In London, however, Mr Salinas has been concentrating on convincing the British business and financial community that the Mexican economy has permanently discarded protectionism and is firmly wedded to the global economy.

Although structural reform of the Mexican economy began in earnest in 1987, Mr Salinas believes the catalyst for the country's new mood of confidence was last July's agreement with the commercial banks on restructuring $48.5bn of medium- and long-term debt. "The net result is not only important in the saving of national resources but it has also been very important in providing confidence to Mexicans." He said that the transfer of resources would be cut from 6 per cent of gross domestic product to around 2 per cent. One immediate effect had been the return of flight capital last year to the tune of $2.5bn to $3bn – "We were not counting on this [last year] so it was a plus for us."

He also maintained that the $2.7bn of foreign investment last year was in part a consequence of the debt agreement providing for the permanent recovery of the economy. This figure excluded debt conversion deals.

President Salinas continues to defend the July debt agreement as the best available and denies that the ultimate financial benefit is limited. However, he is quick to point out: "It did not solve our problems... our problems will continue and we shall have to put additional effort into making the economy more efficient... But without the agreement, no matter what effort we put into it domestically, we wouldn't have been able to recover growth."

The economy grew last year at 3 per cent, stronger than the projected 1.5 per cent, with

President Salinas had his first full working day yesterday. Those accompanying him included Mr Pedro Aspe, the Finance Minister, Mr Fernando Solana, Foreign Minister, Mr Jaime Sera, Commerce Minister, and Mr Patricio Chirinos, Environment Minister.

inflation down to 19 per cent, he said. As for the current year, he expects the economy to continue to grow at 3.5 per cent, the stimulus coming from private investment which last year increased 10 per cent. There was also some room for manouevre provided by oil prices since this year's budget had been based on $13 per barrel for oil exports.

"The public sector, even though it has more resources from the debt renegotiation, no resources will be enough for the demands we have... we have so many vast needs." President Salinas therefore regards privatisation as the key to unlocking state funds for social needs in education and health.

The biggest privatisation, of Telmex, the national telephone company, is now under way, he says. Telmex was last year transferred to the ageis of Mr Pedro Aspe, the Finance Minister, and his ministry, which has been restructuring its tax base and tariffs to improve cash flow before flotation. Foreigners will be allowed up to 49 per cent but majority will stay in Mexican hands.

The Telmex privatisation has been unaminously endorsed by the trade unions, Mr Salinas says, because "I convinced them they would be worse if the company remained in government hands. If it remained in government hands it would compete for resources... I convinced them that if they wanted better wages, they would be better off in the private sector."

The Government is looking for foreign investors for some $11bn over the next five years to finance Telmex's expansion, he said. Such a sum was equivalent to the entire investment requirements for education. The president says the policy of privatisation is being "sold" to the public on the basis that it was providing direct benefits to their standard of living.

On de-regulation of the economy, President Salinas says a shake-up in the tightly monopolistic transport sector last year produced savings of 30 per cent. The country's trade policy has been liberalised, making it one of the most open in Gatt. Average tariffs are 6 per cent and 95 per cent of items are now being imported without licence. He fears that the European Community, having encouraged such liberalisation, will begin to raise its own barriers after 1992.

"We find too many barriers [in the EC and the US]. Reciprocity is not there. 1992 looms as a date for an inward-looking Europe, so we are working today so that with efficiency and competitive prices our products will be able to be part of the European market."

On trade with the US, he says Mexico favours "a sector-by-sector trade agreement, so we have guaranted access to the US market."

Mexico is in the process of negotiating a trade agreement with Canada, similar to that with the US. Mr Salinas is cautious on the idea of expanding these agreements into a North American common market but Mexican business is increasingly aware of the need to be not to be caught out by any protectionism from the two powerful northern neighbours.

The prospect of guaranteed access to the US market and Canada was another positive element he hopes to sell to his audiences in Belgium, Switzerland, the UK and West Germany.

Mexicans voice worries about foreign competition

By Richard Johns in Mexico City

THE organisation representing Mexico's smaller manufacturing businesses has called for a modification of the apertura – the policy of opening the market to foreign competition.

The plea from the National Chamber of Industrial Transformation (Canacintra) comes only a few days before President Carlos Salinas de Gortari's meeting in Geneva on February 1 with Mr Arthur Dunkel, director-general of the General Agreement on Tariffs and Trade. Mr Salinas arrived in the UK at the weekend on his European tour and had a meeting yesterday with Mrs Margaret Thatcher, the British Prime Minister.

Mr Salinas is expected to press complaints to Gatt about non-tariff barriers impeding its exports and, with the Government having promised to introduce legislation on intellectual property rights soon, evidently feels that he will be on strong ground.

At present Mexican tariffs average 6 per cent and the country is generally reckoned to have moved fast in fulfilling commitments to Gatt since joining in 1986.

Canacintra complains that the apertura has led to the closure of many manufacturing plants and an increasing tendency among industrialists to switch to activity in the service sector. It claims that Mexico's trade liberalisation has proceeded much faster than Gatt rules have required.

Quoted by the newspaper El Financiero, its economists forecast that the country's trade deficit will rise to $3.3bn in 1990 compared with the Government's budgetary projection of $2.44bn projected in the 1990 budget (on the conservative estimate of an average oil price of $15 per barrel).

They predict, however, that the main increase in imports next year will be the result of the demand for capital goods – presumably by the larger and stronger companies – fuelled by the overall economic growth of 4 per cent officially projected.

Independent economists believe the official estimate for 1990 of a 9 per cent increase in imports is over-optimistic and the rise will be significantly higher.

An unprecedented delay in publication of trade figures has led to speculation about the extent of Mexico's commercial deficit in 1989.

Official figures for August showed a deficit of $107.4m for that month. Seemingly well-informed press reports have reported a $220m deficit in September.

On a monthly basis, despite higher oil earnings, it is reckoned that it would have been at least as high for the last three months of 1989, not least because of a big pre-Christmas surge of imports meaning a trade deficit for the year of no less than $600m.

Gatt dumping code, Page 3

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● ECONOMIC OVERVIEW

Cutting the appetite of the 'Cookie Monster'

THE BUSH Administration expects the federal budget deficit to decline to $63.1bn in the 1991 fiscal year starting this October from an *estimated* $123.8bn in the current year.

The drop reflects the expectation of higher revenue thanks to economic growth and $36.5bn of specific policy measures on both the spending and tax side. The deficit is estimated at around $100.5bn if current policies are continued and spending is increased in line with inflation. This is the baseline in the accompanying table.

In a colourful introduction to the budget, Mr Richard Darman, the Budget Director, is cautiously optimistic that the pattern of erosion in the deficit of the early-to-mid 1980s seems to have been broken and "by many measures the deficit is headed towards improvement – assuming that economic growth is continued".

However, he compares the budget to a character in the Sesame Street children's television programme known as the Cookie Monster who gobbles up everything in his path, and, picking a comparison from a video game of the 1980s, he warns of Hidden Pacmen ready to absorb future resources in the shape of future, unfunded *liabilities*.

Over the longer term the budget is expected to be in balance in fiscal 1993 when some of the surplus on the social security fund will be separated into a special fund to pay off the national debt. This will still leave a small overall surplus.

However, the statutory targets under the Gramm-Rudman deficit reduction law have regularly been exceeded in the past, due to over-optimistic economic assumptions or excess spending. For instance, *the fiscal 1989 deficit turned* out to be $152bn against the target $136bn, and the deficit for this year is projected to be $23.8bn over target.

The economic projections of the Bush team headed by Mr Michael Boskin, the chairman of the President's council of economic advisers, have so far been nearer the outcome than those of the Reagan era.

The Budget projects a rise in gross national product in real, inflation adjusted, terms of 2.6 per cent in the year to the fourth quarter of 1990, followed by two years of growth of slightly above 3 per cent. This is at the optimistic end of the range with both the Congressional Budget Office (CBO) and the consensus of leading private sector forecasters known as Blue Chip projecting a 1.8 *per cent rise this year*.

In detail, the Administration says that "strengthening consumer spending and an upturn in residential construction are expected to provide most of the impetus to growth, offsetting a smaller improvement in foreign trade, a slower growth of business fixed investment and restraint in federal purchases of goods and services".

There is more agreement that the annual rate of consumer price inflation will slacken slightly from 4.7 per cent in the fourth quarter of 1989 to 4.1 per cent by the end of this year. The Administration expects unemployment to average 5.4 per cent in the fourth quarter, and the interest rate on three-month Treasury bills is estimated at 6.7 per cent – in both cases 0.2 percentage points less than the CBO projections.

The budget document also discusses alternative assumptions. For instance if real GNP growth is lower by one percentage point in this calendar year, and the unemployment rate rises by 0.5 percentage point (as many outside forecasters expect) the deficit would be $14.1bn higher in fiscal 1991 than at present projected. In the year to the fourth quarter, this would mean expansion of 1.9 per cent against 2.6 per cent.

However, if the 1 per cent lower annual *GNP* growth rate and higher unemployment is sustained during the 1990-95 period, the fiscal 1991 deficit would be $22.6bn higher than at present, and $40.5bn higher in fiscal 1992.

Hence, the planned fall in the deficit is heavily reliant on continued economic growth boosting tax revenues. To reduce the deficit to below the Gramm-Rudman statutory target still requires $36.5bn in policy changes on the basis of the Gramm-Rudman law.

More than a third, or $13.9bn, comes from additional revenue – estimates of which are highly provisional in view of the intense debate in Congress over rival tax measures. This includes the expected $4.9bn initial boost to receipts from cutting capital gains tax, *$3.8bn from extending payroll* taxes on state and local government workers, $1.5bn from extending the due to expire levy on long-distance telephone calls, $500m from increasing the tax on airline tickets and $3bn from an assortment of Internal Revenue Service ini*tiatives*.

So-called user fees are being imposed on securities issued by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and other government-sponsored entities. These are designed to reimburse the Government *for* the borrowing advantages which these agencies enjoy.

An 11 cent fee per transaction in the futures markets is also proposed from October to cover the costs of the Commodity Futures Trading Commission.

On the *other side*, revenue is expected to be lost from the introduction of Family Savings Accounts and enterprise zones.

On the spending side, most of the savings are in domestic programmes and only about $6bn from defence.

There are increases in spending on the space and drug programmes. But cuts – certain to be controversial with Congress – are proposed in Medicare health payments (down $8.2bn), commodity price supports (cut $3.1bn), and meal subsidies for children above *the poverty* line (reduced by $550m).

The Administration proposes that the additional working capital needs of the Resolution Trust Corporation in rescuing and reorganising the savings and loan industry (as much as $40bn to $100bn) should be treated *separately* from the Gramm-Rudman deficit reduction law. Such temporary capital, to finance purchases before assets are sold, should not affect the annual calculations on whether the target has been met and whether across-the-board spending cuts known as sequestration are necessary.

An expansion in the foreign aid budget is being sought with $300m for a special assistance initiative for the new democracies of Eastern Europe and $200m in special help for the Philippines.

The budget also seeks $3.2bn in contributions over the next three years for the International Development Association, the soft-loan arm of the World Bank.

In 1991, the Export-Import Bank will provide $500m in loans and $10.6bn in guarantees and insurance to support US export sales.

Peter Riddell

US BUDGET

(in billions of dollars)	1990	1991	1992	1993	1994	1995
Baseline	−122	−100.5	−72.9	−32.9	−13.1	+13.4
Policy proposals	+0.5	+36.5	+46.9	+57.5	+75.6	+95.8
New Social Security and Debt Reduction Fund	-	-	-	−14.1	−53.6	−101.8
Total excluding gimmicks	−121.4	−64.0	−26.0	+4.4	+8.9	+7.4
Social Security Surplus	+62.0	+80.3	+93.1	+107.4	+124.2	+137.2
Total excluding Social Security	−183.4	−144.3	−119.1	−103.2	−115.3	−129.8
Total under Gramm Rudman law	−123.8	−63.1	−25.1	+5.7	+10.7	+9.4
Higher growth variant		−54.6	−16.9	+15.1	+24.7	+31.6
Lower growth variant		−77.5	−48.4	−27.2	−32.9	−42.4

ECONOMIC ASSUMPTIONS

(Calendar years; dollar amounts in billions)	Actual 1988	Assumptions 1989	1990	1991	1992	1993	1994	1995
Major economic indicators:								
GNP, (% change, 4th qtr. over 4th qtr.)								
Current dollars	7.5	6.7	7.0	7.6	7.1	6.7	6.3	6.0
Constant (1982) dollars	3.4	2.7	2.6	3.9	3.3	3.1	3.0	3.0
GNP deflator (% change, 4th qtr. over 4th qtr.)	4.0	4.0	4.2	4.1	3.8	3.5	3.2	2.9
Consumer price index (% change, 4th qtr. over 4th qtr.)	4.2	4.4	4.1	4.0	3.6	3.5	3.2	2.9
Unemployment rate (percent, 4th qtr.)	5.3	5.3	5.4	5.2	5.2	5.1	5.0	5.0

footnote: − deficit / + Surplus — Source: Office of Management and Budget

Darman: an idiosyncratic introduction to the budget

● DOMESTIC SPENDING

More money to go on space, technology and the war on drugs

SPACE, civilian technology and the drug war have emerged as the leading Bush Administration priorities among the welter of domestic claimants for a larger slice of the 1991 US budget.

The Administration also proposes increased funding for the *AIDS crisis, the environment*, pre-school education, hazardous waste clean-up, air traffic control and housing. Agriculture spending, which increased dramatically in the last decade, seems targeted for the biggest hit.

Under the Bush budget, the *National Aeronautics and* Space Administration (Nasa) wins the largest increase for a government agency, with a total budget of $15.2bn, rising 24 per cent in the current year. The blueprint provides big increases for space activities - including research, development and operations - in support of the manned "Space Station Freedom", space shuttle flights and President Bush's proposed manned space flight to Mars.

The budget proposes significant spending for the Mars Observer, a robotic mission scheduled for launch in 1992. It proposes a total $2.6bn for the space station, a 36 per cent increase over last year, and $4.2bn, a 22 per cent increase over this year, for shuttle production and operations.

Nasa will also play a role in the US Global Change *Research Programme*, a $1bn effort designed to give the US "a world leadership role" in climate change research.

The Administration intends a big shift and increase in research and development funding. Out of a total budget authority of $71bn, the Admin*istration would increase civil*ian r & d by three times more than defence-related activities. The National Science Foundation would get a 14 per cent increase in its budget, with an eye towards a doubling of resources by 1993.

The budget calls for a $100m, *or 46 per cent, increase for the* Superconducting Super Collider; a doubling of funds for agriculture research to $100m; an 8 per cent rise in spending for energy conservation, solar and other renewable energy technologies; and an 18 per cent increase in spending for *AIDS research, prevention*, treatment and income support.

The Administration unveiled its drug proposal last week, a $1.1bn increase to $10.6bn. The reviews have been good, but key Democrats want more.

A 7 per cent increase to $4.1bn is requested for the Federal Aviation Administration, including a plan to add almost 500 more air traffic controllers, 300 safety inspectors and more security specialists. The budget also includes $190m for aviation research and development and new spending proposals to *enlarge airports*.

Mass transportation gets no boost in the proposals and the emphasis is on federal assistance to maintain the capital infrastructure and reduce federal operating subsidies.

The Administration suggests that the federal government can become a "catalyst" for mass transit initiatives undertaken by local governments and the private sector.

The budget takes a mere stab at reducing the burgeoning homeless population by providing almost $1bn for various "new approaches". Fami*lies would be move out of* "welfare hotels". Comprehensive services would be provided for 8,900 of the hundreds of thousands of mentally ill homeless or recovering substance abusers. Funds would be shifted from the inadequately-financed low-income rental programmes *to a scheme allowing the poor* to buy public housing.

The budget proposes a $44m "demonstration project" to help some of the elderly poor and doubles resources to $50m for an urban homesteading programme. A new initiative would help tenant groups acquire multi-family properties currently held by the Government, and turn them over into homeownership co-operatives.

A big increase is earmarked for the proposed manned space flight to Mars

The Administration insists that the responsibility for training the workforce rests primarily with the private sector, but it notes that minority workers, who represent about 15% of the workforce, receive only 8% of all formal training. It proposes a new $50m multi year programme, targeted to high poverty inner cities and rural areas, which would require local funds and local housing and anti-drug programmes to help young "at risk" people finish school.

The budget document of the "education president", as President Bush said in 1988 he would like to become, turns defensive in its schooling proposals. It stresses the Administration's view of a "limited but important" federal government role in education, emphasising that although spending per pupil has risen steadily, the results of this outpouring (mainly from the states) has not been sufficient.

The Administration would add $500m in spending authority for the much-praised "Head Start" pre-school programme for children from low-income families; a 25 per cent increase, to $239m, for adult literacy schemes and $230m, a 70 per cent increase, for mathematics and science education programmes.

The budget goes on to note that despite this limited role, the 1991 budget proposes the "highest spending levels ever". No real spending comparisons are included. But a proposal for $19m for primary research and statistics research of education could conceivably produce that figure next year.

The Administration proposes spending $4.2bn to clean up hazardous materials at nuclear plants, an increase of $642m over the current year.

Nancy Dunne

● DEFENCE

Pentagon aims to head off claims from Congress that 'peace dividend' is meagre

THE Pentagon's fiscal year 1991 defence budget request to Congress has already been dubbed the first post-Cold War budget.

As Mr Richard Cheney, Defence Secretary, pointed out yesterday, it represents "the first steps" in responding to changes in Eastern Europe and the Soviet Union, as well as tighter budgetary constraints. *As a result, the Pentagon has* conceded the need for lower force levels, the end of several major weapons programmes, and the closure of military bases at home and abroad.

It is tempting – but wrong – to conclude that the Bush Administration has pressed the *panic button. Reports of imme*diate large-scale troop withdrawals from Europe, military base closures, and a retreat into neo-isolationism are therefore wide of the mark – at least in the short-term.

The really difficult decisions on US force structure begin to loom much later in fiscal 1992, 1993, and 1994 when the annual 2 per cent planned cuts begin to bite.

As Mr Sean O' Keefe, the Pentagon's top budget planner, conceded during a weekend briefing: the target of $308bn in 1994 can only be hit if: the 1991 budget request goes into effect; if planned defence management savings of $39bn are reached; and if there is an "aggressive follow-up" of the current CFE conventional forces talks in Vienna.

The Pentagon's five-year spending plan discloses that the proposed cuts in *fiscal* 1991 are modest indeed. The budget request is $22.4bn below President Bush's 1989 plan, but it still amounts to a sizeable $295.1bn. This represents a 2.6 per cent cut in real, inflation-adjusted terms compared to fiscal 1990. But if one includes money for nuclear programmes in the Department of Energy budget, US national defence spending this year is still planned at over $300bn.

Mr Cheney's task is to persuade Congress that he has cut deep enough. As members returned to Washington this week, *the phrase on everyone's* lips was "peace dividend" – the savings expected to be generated by cuts in military spending to be reallocated to domestic issues such as education, "the war on drugs", tax incentives to increase saving and rebuilding America's *decaying infrastructure*.

In an effort to head off a stampede, Mr Cheney has proposed cuts in 20 major weapons programmes, including the V-22 Osprey high-speed helicopter, the F-14 fighter, the M-1 tank, the Maverick missile, the Apache helicopter, the Advanced Short Range Air-to-Air missile and the MK 19 Grenade Launcher.

He is also calling for the disbanding of two Army divisions in Texas and Washington state; retiring two of the Navy's four Second World War battleships; and cutting active duty personnel by 91,429 to 2,038,800. Personnel in the Army and Air Force will be down to their *lowest* levels since 1950 (not counting reserves).

Even more important, Mr Cheney is proposing to cut procurement of weapons from $82.6bn this year to $77.9bn in fiscal 1991. Defence Department officials argue that this marks a serious effort to correct the sins of the past when, under the Reagan build-up, procurement plans ballooned out of all proportion to the amount of money which Congress was prepared to authorise. (This created the present $180bn gap between planned spending and future Congressional funding which the Pentagon budget teams are labouring to close.)

Most congressional observers will note, however, that Mr *Cheney* is keeping as much as he is giving away. For example, he is keeping 14 aircraft battle-carrier groups, the hugely expensive floating fortress of fighter-planes, aircraft carrier, and support ships; he is insisting on continued funding for the controversial B-2 *Stealth radar-evading bomber* which costs $530m a shot; he wants to fund both the MX and the Midgetman land-base strategic ballistic missile; and he is requesting $4.5bn for the Strategic Defence Initiative, the "Star Wars" programme aimed at providing the US with a *defence against a nuclear* attack.

All these programmes are considered necessary because, in Mr Cheney's words, "this is the worst possible time to contemplate changes in defence strategy".

Both Mr Cheney and President Bush will argue that they cannot make radical changes in force structure until the US *completes* two far-reaching arms control agreements this year: the Start pact with the Soviet Union cutting strategic offensive nuclear arsenals by 50 per cent; and the CFE conventional forces agreement in Vienna which provides for the reduction of US forces in Europe from the current 305,000 to 275,000 (compared to a far greater asymmetrical Soviet cut).

It is questionable whether Congressional Democrats will buy this argument. Pressure is already building among the rank-and-file in the House of Representatives – *led by Ms* Pat Schroeder and Mr Ron Dellums – for far bigger cuts. In the Senate, Mr Sam Nunn, chairman of the Armed Services committee, has signalled that he supports a "a partial gradual draw-down of US troops in South Korea, Japan and *Europe*"

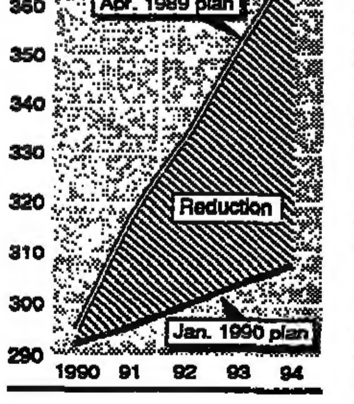
Mr Cheney's message to Congress is "trust me". In effect, he hopes that members will allow him to begin to make the adjustment from the helter-skelter Reagan rearmament programme in a planned rather than a piecemeal fashion.

While *the odds look stacked* against him at the moment, his chances of forging a consensus should not be underestimated. Mr Cheney, a former House Republican, is after all working within a political system which loves to postpone difficult issues and reacts more by calendar, *than by crisis*.

Lionel Barber

Bush argues that radical changes in force structure must await completion of arms control deals

US defence budget



● POLITICAL OUTLOOK

Darman resigned to annual ritual of 'heroic compromise'

"BE SERIOUS," is the challenge which Mr Richard Darman, the Budget director, throws down to the US Congress in his idiosyncratic and lively introduction to yesterday's Budget. But the slogan can, and will, be thrown back at him.

The evasions and hypocrisy in the US budgetary process which Mr Darman so accurately lists are not just on the side of Congress. They also apply to the Administration. There is a mutual suspicion which will ensure that yesterday's budget is even more provisional than usual. Its final version in eight or nine months will be much changed.

There are four key uncertainties: first, whether the economic assumptions are too optimistic; second, over the level of defence spending; third, over the projected savings in domestic programmes; and fourth, over tax and social security.

In all areas, the Democratic-controlled Congress will have a different view from the Administration. Democrats will want to rein back savings on domestic programmes such as Medicare health payments and transport subsidies to the Amtrak rail system.

Instead, there will be a strong temptation to seek bigger cuts in the defence budget than the 2 per cent annual *reductions in real terms* proposed by the Administration. The changed international climate could overwhelm the Administration's caution.

Similarly, there is likely to be a furious debate over tax policy. This has been given a new dimension by the post-Christmas suggestion of Democratic Senator Daniel Patrick Moynihan of a cut in the social security payroll tax, for both employees and employers.

He says this is justified on grounds of fiscal honesty since the large, and rising, surplus on the social security trust fund (to pay the pensions of the Baby Boom generation) is partially offsetting the continuing big deficit on other federal operations.

The Administration's reply to this problem (produced before the Moynihan plan) is gradually to separate social security surpluses from the rest of the budget and to create a special fund to start paying off the national debt. But this only takes effect after fiscal 1993 when the overall budget is supposed to be in balance. In practice, this means that the Government will aim for a continuing fiscal improvement after 1993.

Senator Moynihan's "grenade", as Mr Darman aptly described it, has exploded to confuse the whole tax debate. Congressional leaders are mainly cautious about a cut in payroll tax because it threat*ens to raise the deficit* and/or require increases in other taxes.

The main reaction to the budget is likely to be that, for all Mr Darman's fine intentions, the real problems have again not been tackled. Hardly anyone in Washington believes the deficit for fiscal 1991 will be only $63.1bn; domestic spending will be higher and revenue may be lower (not least if the economy slows further or there is a recession).

Mr Darman points to potential liabilities from unfunded health and retirement programmes, environmental clean-ups and losses on federal credit and insurance programmes, costing a possible $25bn to $50bn a year. He compares their threat to future budgets to hidden Pacmen in the video game.

Scepticism is underlined by the disclosure that the deficit for the current fiscal year – stated last November to be only just over the target of $100bn – will now be $123.8bn. Many economists believe the overshoot will be larger.

A grand budget deal of the kind agreed in 1987 after the stock market crash looks unlikely, unless the markets intervene. Mr Darman said on Sunday that he would like to have "a large-scale compromise package" but he did not think that was probable. Instead, "we're more likely to have to keep going at this incrementally".

Many Democrats remain suspicious of the deviousness of the Budget Director

One reason is the tensions between Mr Darman and Congress last year during the row over capital gains tax, which, for a time, jeopardised the bipartisan budget accord reached in April. Mr Darman is admired for his cleverness and originality but many congressional Democrats remain suspicious of his deviousness. Congress is also reluctant to become involved in a serious debate while President Bush sticks to his "no new taxes" pledge (however stretched that is with an assumed $13.9bn in additional new revenues).

Mr Darman's introduction may attract as much attention as the specific, and certain to be amended, budget proposals.

Few would quarrel with his description of the annual ritual of the Beat-the-Budget Game: "At the start, it is predictably partisan. Priorities are *judged* to be incorrect. Economic assumptions are ridiculed (but later. adopted). Gimmicks are scorned (but later outdone). The failure of the budget process is lamented (but ideas for evasion proliferate). The refusal to raise new taxes is condemned (as *proposals* to cut taxes are advanced). Incentives for savings and investment are criticised for their alleged adverse effects on the deficit (as alternative proposals to increase the deficit are advocated). Stalemates are followed by 'heroic compromises' that earn *the parties self*-congratulation, but somehow manage to leave much of the serious job to the future. And the public understandably grows more sceptical."

The budget proposals, as opposed to Mr Darman's stimulating analysis, are unlikely to reduce that scepticism.

Peter Riddell

● SAVINGS

Cut in capital gains tax is key proposal to encourage investors

A WIDE-RANGING package to encourage an increase in US private savings is contained in the Budget.

A lengthy section discusses the problems posed for the US by its low level of national savings by interna*tional standards, notably* the resulting high real interest rates (in turn reducing investment) and dependence on foreign capital.

In order to boost domestic saving the Budget emphasises the importance of securing a balanced Budget by fiscal 1993 with the national debt being subsequently reduced in line with the social security surplus. It is estimated, for example, that by about 2030, the capital stock could be more than 20 per cent higher and real gross national product could be 5 to 10 per cent higher if Federal debt is retired in *the* same magnitude as the social security surplus.

As last year, the main proposal to promote savings and risk-taking investment is a capital gains tax cut, which was blocked in the Senate last November. The new plan is for a sliding scale cut on longer-term gains.

A 30 per cent exclusion from income tax would be provided for investments held for at least three years, with a 20 per cent exclusion for gains on holdings of between two and three years, and a 10 per cent exclusion for one to two years. For investments held at least three years the maximum tax rate on capital gains would be reduced to 19.6 per cent for those in the 28 per cent tax bracket. The three-year holding period would be phased in over three years.

To stimulate personal savings, a new Family Savings Account is being proposed. This would exempt from income tax the interest income for nondeductible contributions to such accounts that are held for seven years. Nondeductible contributions would be limited to $5,000 for couples filing jointly and $2,500 for those filing a tax return singly.

Contributions to these accounts will be limited to joint filers with incomes below $120,000 a year, and single filers with incomes below $60,000. Withdrawals after seven years will be tax free, and those before three years will be subject to a 10 per cent excise tax penalty on *investment* income. Withdrawals made before expiration of the seven years will be subject to income tax on the investment income.

In addition, the administration proposes to modify current individual retirement account *rules* to allow a waiver of the 10 per cent excise tax penalty for early withdrawals of up to $10,000 if the withdrawn funds are used for first-time home purchases (provided the home bought costs no more than 110 per cent of the median home price in the area).

Peter Riddell

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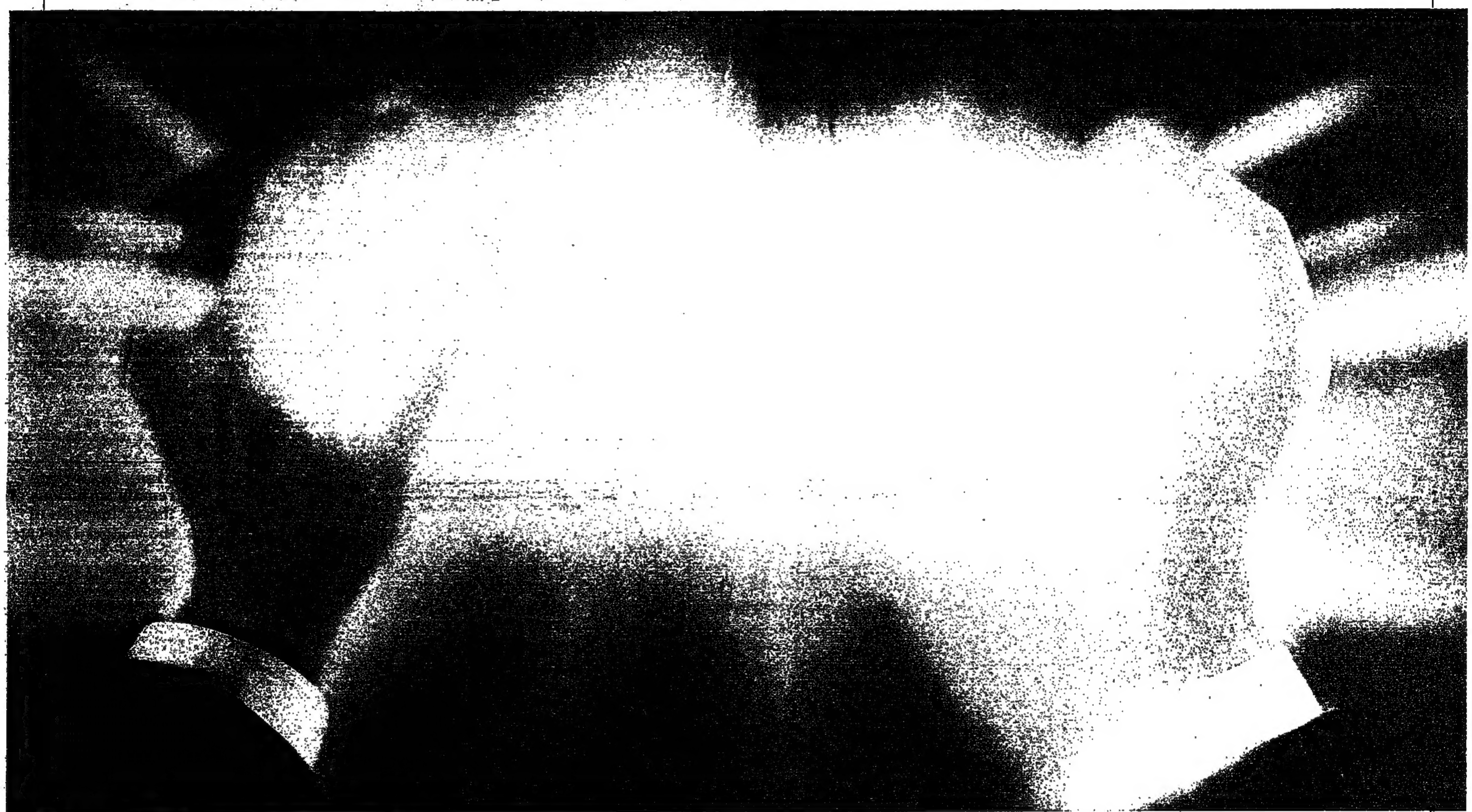

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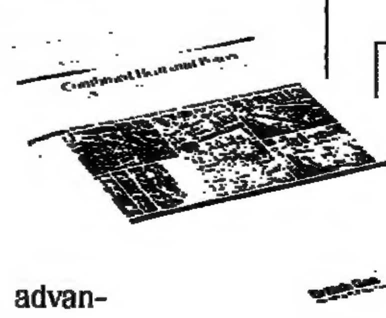

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Receivership at Response puts 4,000 jobs at risk

By Alice Rawsthorn

RESPONSE, the UK clothing company linked to Coloroll, the troubled home products group, went into receivership yesterday putting at risk the jobs of 4,000 employees in the UK and the Irish Republic.

The news of the receivership means that Coloroll could be called upon to honour the contingent liabilities of around £24m it incurred 18 months ago after selling Response to a management buy-out team.

Last week Coloroll, which has been hit by the impact of higher interest rates on the home products market, issued a profits warning and announced plans for a financial restructuring to recapitalise its business.

Response is the latest, albeit the largest, of a number of textile companies to have gone into receivership. Recent casualties include the Oakwood Group with workforce of 2,000 and T.W. Kempton with 1,200 employees. The industry is suffering from the slowdown in consumer spending and intense competition from imports.

Response has suffered from the industry's difficulties. But its main problem was the burden of borrowings inherited in its £90m buy-out from Coloroll. The group is understood to be operating profitably on turnover of £130m. But it was unable to meet the interest on its debts and, as a result, has called in Ernst & Young as receivers.

Response is the product of a series of acquisitions made by John Crowther, the textile group taken over by Coloroll two years ago. After the takeover the Response management - led by Mr David Suddens, a former Courtaulds executive - staged a buy-out. Coloroll retained a 6 per cent stake in Response and was involved in the mezzanine financing for the deal.

Since the buy-out Response has reduced its workforce by 700 through closures and disposals. Its interests are now divided between Speedo swimwear; the WW Group, which imports clothing from the Far East; and a group of clothing companies making own label merchandise for multiple retailers like Marks and Spencer and Storehouse. Some of the operating subsidiaries have not gone into receivership.

Ernst & Young is now trying to find buyers for the Response businesses. The level of Coloroll's liabilities will be determined by how much of the business can be sold. In the worst possible scenario, Coloroll would write off £3m of equity and increase borrowings by £21m, thereby reducing net assets by £24m.

Mr Eric Kilby, deputy chairman and finance director, said Coloroll had secured agreement in principle from its banks to provide short term support until its restructuring is completed.

Coloroll's advisers - Warburgs and Morgan Grenfell - are now putting together plans for the restructuring, which should be completed within a few months. The restructuring is expected to provide an injection of capital for Coloroll and could involve changes in its senior management.

Ford faces disruption as strike vote passed

By Michael Smith, Labour Correspondent

FORD UK, the subsidiary of the US motor manufacturer, was faced with increased disruption to production last night after electricians voted to back a strike over pay and shop stewards representing other skilled workers moved to increased support for an unofficial stoppage.

The developments raise the prospect that a growing number of Ford's 21 UK plants could be closed by industrial action even though 58 per cent of the 31,800 manual workforce last week voted to accept the company's pay offer.

Although the electricians and other skilled workers represent less than a sixth of Ford UK's manual workers, their presence is essential for the maintenance and continued operation of plants.

A two-week strike by more than 550 skilled employees at Halewood has led to the closure of both the company's vehicles plant there and a Transit factory in Southampton. About 10,000 employees have been laid off as a result.

If the strike spreads, there could also be effects on some of Ford's continental factories which rely on UK factories for supplies, including engines.

The vote among 1,600 electricians was taken at the same time as other unions voted last week but, because it was a postal ballot, the count was delayed. The EETPU electricians' union said yesterday that in a 68 per cent turnout, 62 per cent rejected the pay offer and gave leaders the power to call strikes.

Mr Eric Hammond, general secretary, said EETPU shop stewards at Ford would meet on Friday to discuss their next move.

Mixed fortunes predicted for motor industry

By Richard Tomkins, Midlands Correspondent

OVERCAPACITY in Europe's motor industry holds out the prospect of mixed fortunes for car manufacturers in the 1990s, according to the West Midlands Enterprise Board in Birmingham.

With the European market stagnating, they warn, the entry of Japanese manufacturers coupled with recent heavy investments by Europe's indigenous car makers will produce a notional overcapacity of 1m vehicles a year by 1995.

Britain can expect to gain in employment because it will benefit from the plants being set up by Nissan, Toyota and Honda, the economists say.

At Ford UK, subsidiary of the US manufacturer, the Halewood and Dagenham plants are said to be behind Continental counterparts in investment and automation.

IN BRIEF

Church says policies have widened poverty gap

CHANGES IN taxation and social security have greatly widened the gap between Britain's rich and poor and increased dependence on private charity, the Church of England says in a report published yesterday.

The report, endorsed by Dr Robert Runcie, the Archbishop of Canterbury, follows Faith in the City, a controversial study of urban problems published in 1985.

Some Conservative MPs condemned Faith in the City as anti-Government and even Marxist. Although the new report uses balanced language in its conclusions, it contains further criticism of government policies towards the poor, and its publication brought immediate condemnation from a number of Conservative politicians in the House of Commons.

Teijin promotion

Teijin, a Japanese drug company, is planning a new unit based in London to promote cooperation with European pharmaceutical groups.

It could be set up later this year as a further stage in the recent moves by a number of Japanese medicines companies to strengthen their European marketing and research presence.

Move on wine sales

Publicans and cafe proprietors are to be compelled to display the quantity and price of wine sold by the glass, Mr Eric Forth, Consumer Affairs Minister, said.

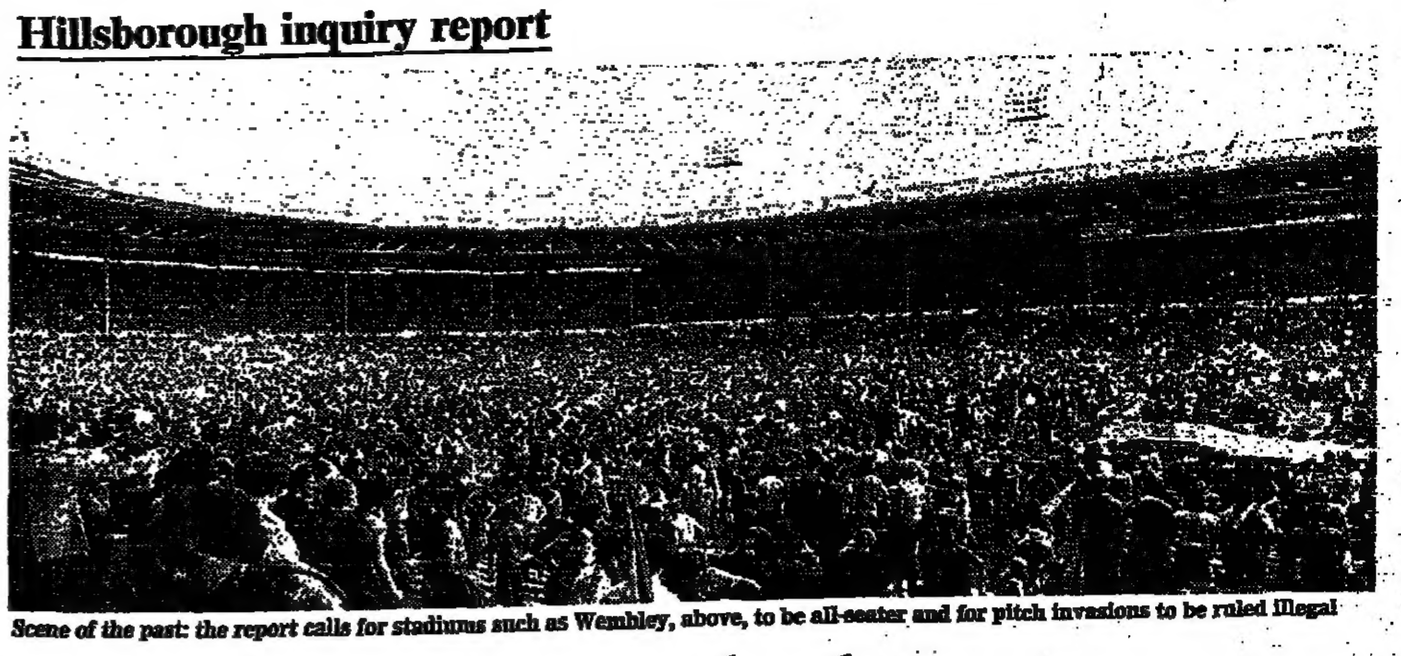
Production date set

Nippon Seiko (NSK), the Japanese bearing maker, said that its new components plant, built at Peterlee, Co. Durham, at a cost of £12.5mn, will go into commercial production in April.

Societies to merge

The Regency & West of England Building Society announced plans to merge with the smaller Portman Wessex Building Society. The deal creates a new society with total assets of £2.5bn and 130 branches.

Hillsborough inquiry report



Scene of the past: the report calls for stadiums such as Wembley, above, to be all-seater and for pitch invasions to be ruled illegal

Judge lays down the law on soccer

Philip Coggan on the robust lessons drawn from a stadium disaster

LORD TAYLOR'S final report on the Hillsborough football disaster, in which 95 fans died as a result of crushing on the terraces, provides a comprehensive rebuttal of the rationale behind the national identity card scheme.

In a robustly written report, the judge says that he has "grave doubts about the feasibility of the scheme and serious misgivings about its likely impact on safety".

On Part Two of the Football Spectators Act, which aims to prevent convicted hooligans from travelling to matches abroad, Lord Taylor is more positive.

He describes the proposal as a sensible measure to tackle a persistent mischief. "To adapt a famous dictum" he says "never in the field of sport has so much odium been brought upon so many by so few".

Contrary to recent speculation, Lord Taylor's objections to the membership scheme do not consist solely of a fear that congestion outside the ground would lead to a repeat of the Hillsborough disaster. He also cast doubts on the ability of such a technically complex system to function efficiently.

The report says that "the technology will not only have to be capable of fulfilling the requirements of the scheme without malfunction, in all weathers and at the stipulated speed. It will also have to be resistant to the ingenuity of those who may seek to sabotage it or find a way round it. It will need to do these things not just most of the time, but all of the time. This is a very tall order and...I have the gravest doubts if it can be met."

As well as referring to the technological problems, Lord Taylor doubts whether the scheme would be effective in its aim of excluding hooligans. "A serious defect in the scheme" he says "is that the entry procedure will not involve checking the photograph on the card against its presenter. Such checking is precluded by the need for speed. But the main rationale of having a photograph of the member is defeated if it cannot be relied upon to exclude someone else from using the card."

The judge also points out that many trouble-makers will travel to matches whether or not they will be able to watch the game. "It would be surprising if hooligans... were totally to abandon their activities of attacking and baiting away supporters just because they could not themselves get into the ground." Lord Taylor concludes that in the short term, at least, the identity card scheme could actually increase trouble outside grounds.

The alternative strategy for combating hooliganism suggested by Lord Taylor involves a combination of four possible measures. The first is developing the potential of closed circuit television and the police's National Football Intelligence Unit. The second is the creation of new criminal offences - throwing a missile, obscene or racialist chanting and going on the pitch without reasonable excuse. The third and fourth measures involve proposals to exclude hooligans from grounds - by making them visit attendance centres or by electronic tagging.

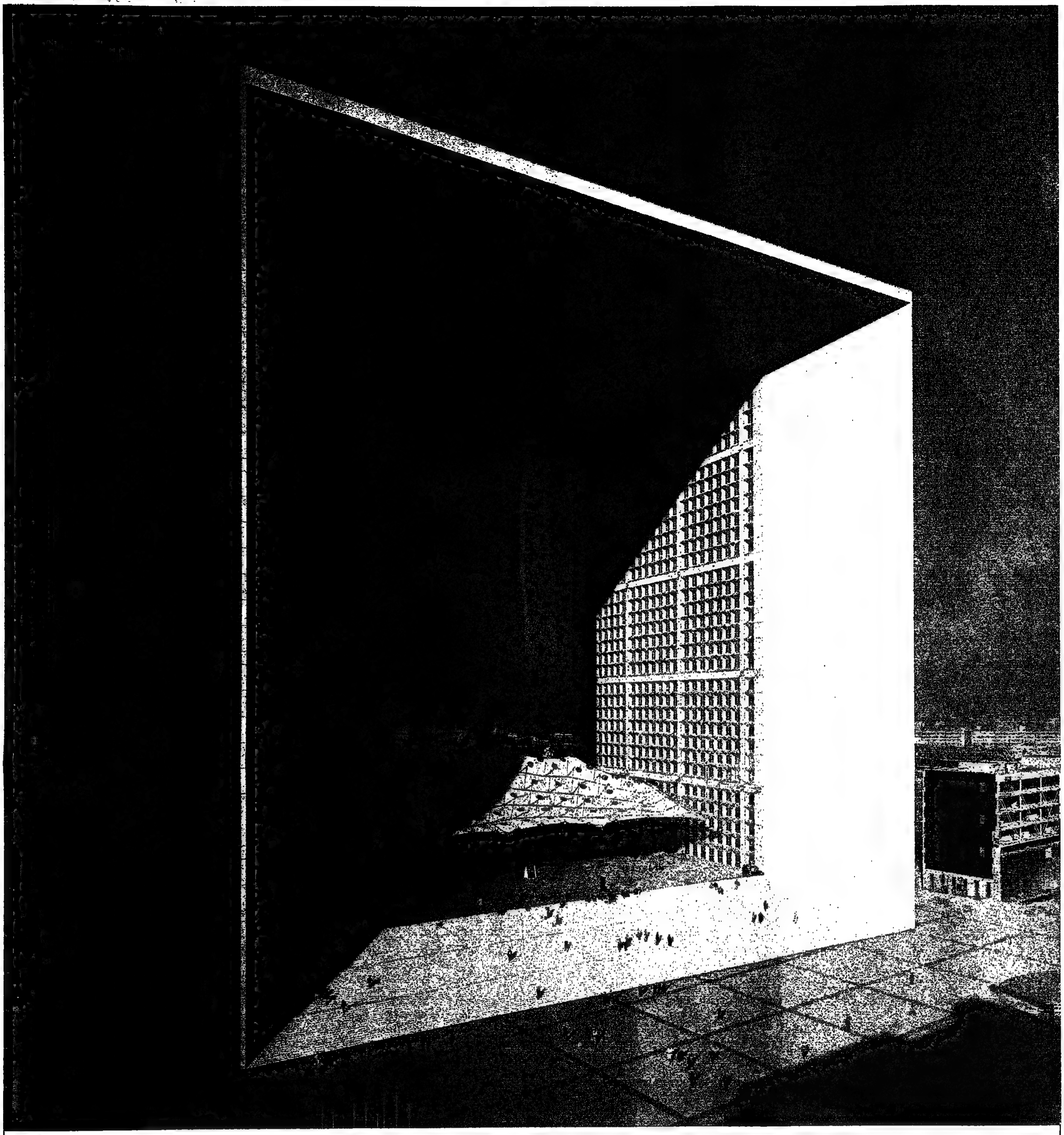
Moving away from the question of hooliganism to that of safety, Lord Taylor's most significant proposal is for the provision of all-seater grounds by the year 2,000 - along the lines of many stadiums in continental Europe. He says that "there is no panacea which will achieve total safety and cure all problems of behaviour and crowd control. But I am satisfied that seating does more to achieve those objectives than any other single measure."

The judge says that seating means that spectators are not subject to buffeting or swaying, that crowds can be easily monitored by closed circuit TV and that ticket forgeries can be made more difficult. He dismisses the fondness of traditionalists for terraces arguing that all-seater grounds can also enjoy "concerted singing, chanting, clapping or gesticulating in unison".

Accordingly, Lord Taylor says that stadiums in the First and Second Divison should be all-seater by the start of the 1994-5 season and other divisions should be all-seater by 1999. This would be achieved by a phased annual reduction of standing places of 20 per cent in the higher tiers and 10 per cent in the lower. This section of the report applies to all designated grounds, that is, those accommodating more than 10,000, so the Twickenham's famous international rugby stadium, for example, will also be affected.

The report does not call for the elimination of perimeter fences, since as Lord Taylor points out, a number of pitch invasions have followed the Hillsborough disaster. However the judge does say that "high, prison-type fences with spikes and overhanging sections should go" and where possible gates in the fence should be left open during the game.

One section of the report which most football supporters will welcome unreservedly is that ticket touts should be outlawed, since they put both safety and the prevention of disorder at risk. Lord Taylor suggests it could be made an offence to sell tickets for a football match without authority from the home club. "The fast buck should stop here" he concludes.



Bank increases cushion against Third World debt

By Stephen Fidler, Euromarkets Correspondent

NEW Bank of England guidelines on UK bank provisions for third world debt were published yesterday increasing, as expected, the cushion banks are required to hold against third world debt.

The new framework, or matrix, is likely to bring some new countries into the group for which provisions are required.

Bankers said Hungary and Colombia may both be countries for which provisions are required when they were not before. This may make banks less willing to make new loans to these countries, which have not rescheduled their bank debts.

As expected, the average level of provisions will rise to roughly 50 per cent on third world exposure for UK banks.

In its letter to banks, the Bank said it had reviewed the matrix "bearing in mind the widespread market perception that the situation among debtor countries has on balance deteriorated."

The matrix uses 16 factors – one more than in the first matrix published in 1987 – to determine roughly the adequate provisions against loans for each lending bank.

The factors are meant first to identify countries which are unwilling or unable to meet their obligations, second to show a borrower's current difficulties in meeting its debts, and third to identify economic and other factors which may provide evidence of likely repayment difficulties in the future.

Previously, the third category of economic factors would not be enough by themselves to trigger provisions. Now, however, provisions can be triggered by such factors – the reason why countries such as Hungary will be drawn into the net.

The new matrix intends to iron out fluctuations in the level of provisions by introducing a 15-month moving average to calculate proper provisions.

The Bank had been forced into an embarrassing delay in the publication of the matrix – promised some months ago – because it was under examination by the Treasury.

If the higher provisions are allowed against tax, the lost revenues are estimated to cost the Exchequer £900m-£1bn over some years.

Hitting the headlines for all the wrong reasons

Andrew Taylor, looks at the persistent rows which could engulf the Channel tunnel project

THE Channel tunnel project seems hardly to have paused to draw breath before lurching from one crisis to the next ever since the British and French governments gave Eurotunnel the go-ahead in 1986.

This week, one of the world's greatest construction projects is again hitting the headlines for the wrong reasons.

The slow progress of engineers tunnelling beneath Europe's busiest sealane has made dull reading by comparison with stories about boardroom rows, a leaked private letter, angry personality clashes and speculation about Bank of England involvement over the appointment of senior executives.

One London manager of a foreign bank providing some of the finance to build the 50km-long train tunnel said: "If the tunnel leaks as much as the boardroom of Eurotunnel and some of its contractors then we are all in deep trouble."

The aside obscures a deep concern that persistent rows between Eurotunnel and its contractors over who is responsible for the mounting cost of construction could engulf plans to refinance a project which, in just over two years, has risen in cost from £4.8bn to more than £7bn.

Temporary refinancing arrangements, which will allow Eurotunnel to continue to build while permanent funds are put in place, have still to be approved by more than 200 international banks. These, however, may not be prepared to give their support while a deep rift exists between the contractors and a large faction of Eurotunnel's management, led by Mr Alastair Morton, its combative joint chairman.

Mr Morton has made no secret of his views that British construction companies, in the main, have been guilty of mediocre management and poor productivity which has pushed up the cost of the project. The repeated public statement of these sentiments, while reflecting the opinions of many of the banks themselves, has widened the gulf between Mr Morton and the contractors to the point at which even the Bank of England privately has expressed its concern.

It is worried that the public wrangling between Eurotunnel and the contractors could undo some of the good relations forged by Mr Morton with the international financial community.

The Bank, three years ago, sponsored Mr Morton's appointment as British joint chairman to Eurotunnel after the Channel tunnel group almost failed to raise just under £200m in an international equity issue.

Facing the future: Eurotunnel's joint chairmen

Mr Morton subsequently was instrumental in negotiating a £6bn package of loans, standby credits and equity.

The Bank regards Mr Morton's role as crucial if a tight grip is to be maintained over costs. It would, however, like to see a buffer established between Mr Morton and the contractors, provided this did not weaken Mr Morton's overall authority in negotiations with the construction companies.

Eurotunnel, as part of the refinancing arrangements, has agreed to make changes to senior management including, it is understood, the appointment of a new senior executive to take over responsibility for the day-to-day management of the construction contract. This would leave Mr Morton free to concentrate on negotiating the refinancing package.

The appointment would bring into question not only the role of Mr Morton within the project but also of Mr Tony Ridley, Eurotunnel's joint managing director currently responsible for contract managment.

Mr Ridley has established a good rapport with the contractors during the 12 months he has been at Eurotunnel. The construction companies would be unhappy if this relationship were to be weakened but regard the appointment of a new executive as essential if Mr Morton is to be distanced from day-to-day construction decisions.

The depth of the antagonism felt towards Mr Morton by the British contractors, in particular, can be gauged by a private letter from Mr Peter Costain, chief executive of Costain Group, to Mr Morton. The letter, copies of which were sent to Euretunnel's bankers, accused the British chairman of Eurotunnel of making statements after the refinancing agreement which were "inaccurate, incomplete and calculated to mislead."

It continued: "Your reference to 'trimming the project supervision overhead' was quite disingenuous. You are quite well aware that we would not have signed the agreement were it not clear that far-reaching senior management changes in Eurotunnel were irrevocably committed."

The gulf between Mr Morton and the construction companies appears to run far deeper than the normal suspicions of a client towards his contractors. It is often forgotten that the relationship between the Channel tunnel contractors and Mr Andre Benard, Eurotunnel's French joint chairman, has also been difficult but has failed to produce the acrimony that Mr Morton seems to have generated.

This may have its origins in Mr Morton's belief that it might have been better if the Channel Tunnel Group (CTG), which eventually became Eurotunnel, had been sponsored by other than banks and contractors who saw the project primarily as an opportunity to make a big profit.

Mr Morton, within days of his appointment at Eurotunnel early in 1987, was saying he would have attempted to renegotiate the construction contract if a deal had not already been signed.

Mr Morton, himself, has admitted that one of the problems inherent in the project is that it is 'a fast-track design'. "That means that construction gets under way before all the final designs are completed," Mr Morton told Eurotunnel shareholders last autumn.

At least £400m of claims by the contractors against Eurotunnel have been identified and are expected to go to arbitraten when the work is completed. First, however, Eurotunnel and the construction companies must devise some way of getting their relationship back on to an even keel.

Westland plans bid for Merlin project

By David White, Defence Correspondent

WESTLAND plans to bid for overall responsibility for the Royal Navy's EH101 Merlin helicopter if the Ministry of Defence opens the job to competition.

Mr Alan Jones, chief executive of the helicopter group, based in the West Country at Yeovil, said that this would avoid increasing the delays in bringing the EH101 into production. Westland is developing the helicopter with Agusta of Italy.

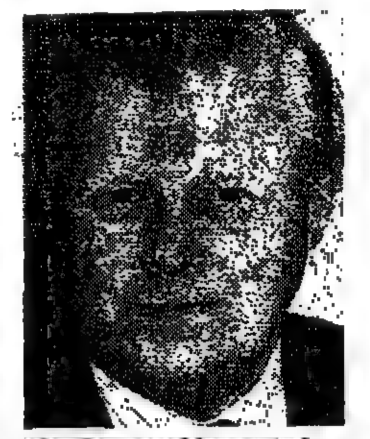
Sir Peter Levene, chief of defence procurement at the MoD, is known to favour inviting tenders for the task of integrating the helicopter itself with the radar and sonar equipment required for its anti-submarine role. This task could be taken over by an electronics company or a major defence contractor such as British Aerospace.

During development of the Anglo-Italian helicopter, the Ministry of Defence has until now worked on the basis of buying the aircraft itself from EH Industries, a joint venture of Westland and Agusta, and the electronic equipment directly from contractors.

However, Westland argues that it has already accumulated experience in integrating the electronic systems by flying them in a Sea King helicopter.

Mr Jones said development was "going well," with seven pre-production models already flying. The helicopter should be ready for delivery from late 1994 or early 1995, he added.

Original plans were for delivery in 1991. But the principal delay was in launching the project, and the actual slippage in development was between six and nine months, Mr Jones said.



Alan Jones: seeking control

He rejected reports that the first 50 helicopters for the Royal Navy might cost £40m a piece, arguing that the costs would be spread by other orders, even if the Royal Air Force opted against the EH101 as a troop-carrier. Italy was due to take 38, and Canada was expected to buy about 40, possibly with 25 more for search and rescue operations.

Plans also involve a civilian version baptised Heliliner. Mr Jones estimated that the most basic version of the EH101 would cost upwards from £12m.

Westland is anxiously awaiting the next stage in the Anglo-Italian agreement, a go-ahead for fitting-up in readiness for production. It is hoping this will be followed by a first production order late this year or early in 1991.

US venture to invest in European media

By Raymond Snoddy

ML MEDIA Opportunity Partners, a US media venture capital fund established by Merrill Lynch, has set up a European joint venture to look for media investments in the UK and the rest of Europe.

The new joint venture company, Media Ventures International based in London, could have up to $100m available to invest in suitable opportunities ranging from independent television production and cable television companies to newspapers.

Mr Peter Clark managing director of MVI, and until recently joint managing director of Telso Communications, the TVS Entertainment subsidiary said yesterday bidding for an ITV franchise was also a possibility.

Mr Christopher Turner, a former group chief accountant at London Weekend Television will be a director of the new company.

The main thrust of MVI investment is likely to be in the UK to begin with but the new company is also interested in media ventures in both France and Germany.

The US directors of MVI are Mr Elton Rule, a former president of American Broadcasting Companies, the holding company for the US television network, and Mr Marty Pompadur, also a former director of ABC.

Both are involved in ownership of media properties through investment funds valued at £1bn including a newspaper in Puerto Rice and cable television companies in the US.

US media funds and media companies themselves are increasingly looking at the European market where new television channels have been coming on air and there has been a measure of deregulation.

Last year, for example, Paramount, the US film studio bought a 49 per cent stake in Zenith, Carlton Communication's independent television production arm.

Mr Pompadur said yesterday that MVI experience of how the media market had evolved in the US combined with venture capital experience would be an effective formulae for success.

● Sky Movies, Mr Rupert Murdoch's satellite film channel which can now be seen by anyone with a satellite television receiver, will turn into a pay television channel over the next six weeks.

Between February 5, the first anniversary of the launch of Sky Television, and March 19 an increasing number of films will be electronically scrambled so that they are unwatchable to those who have not paid a subscription of just under £10 a month. Sky successfully demonstrated yesterday its VideoCrypt system developed by Thomson Consumer Electronics, News group affiliate News Datacom and Sky Television.

Mr Peter Smith, Sky's director of operations yesterday described the system based on a smart card containing a microprocessor as " the most advanced state of the art pay television system available."

Brave new look for the Tate

William Packer applauds the Director's radical rehang

In recent weeks the papers have been full of what was about to be discovered at the Tate, and I too, with my fellow critics, had only to ask to be allowed a preview. That early look was certainly useful, but only in the most general way. Some galleries were still closed off, much work unhung, significant rooms unfinished. It seemed to me much better to wait even beyond the private views, with their gossip and special interests, to an ordinary public day with the Tate at its proper work again. I am very glad I did.

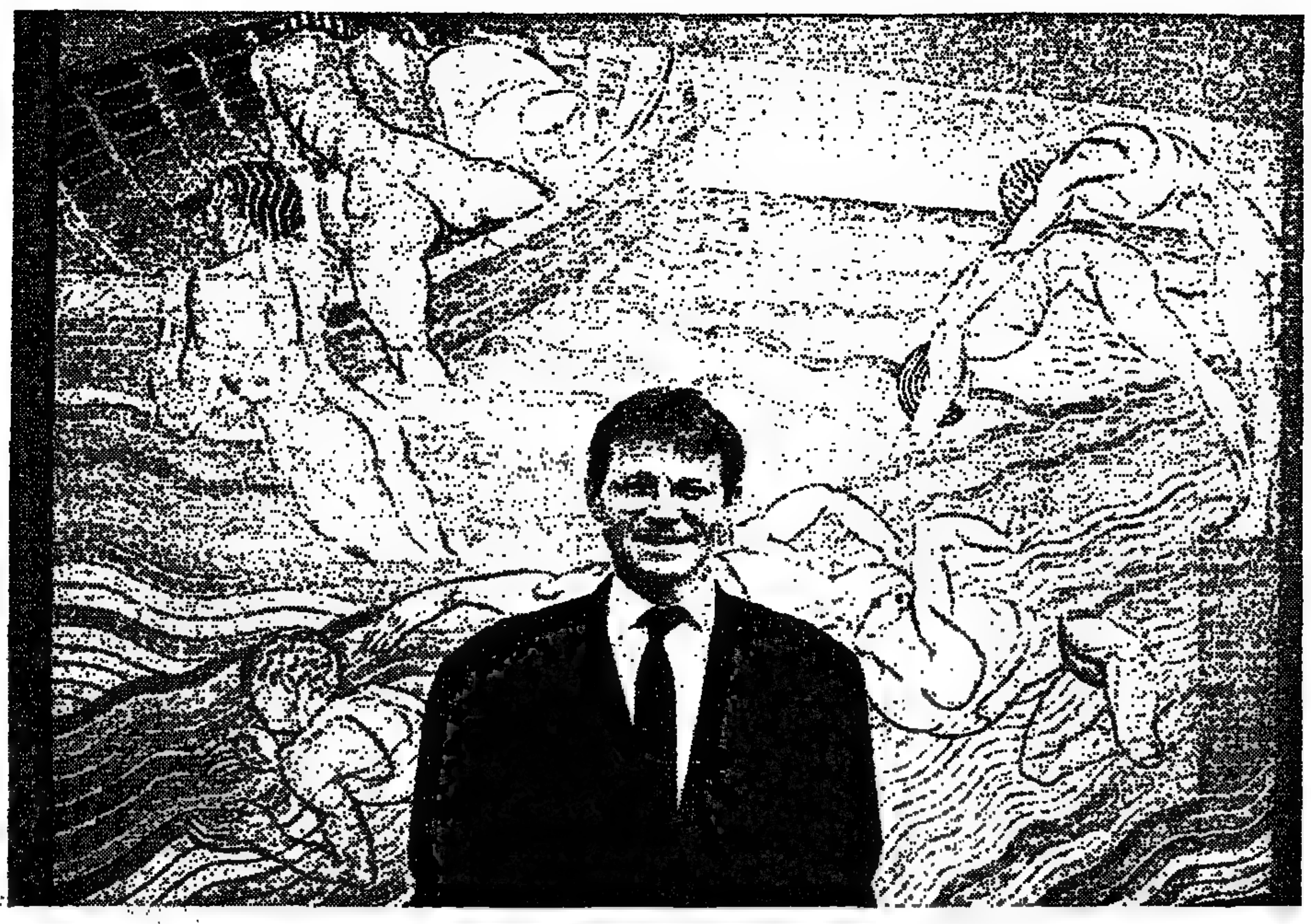
Last Friday the Tate seemed no less busy than usual, but possessed of quite different a general mood. It must be understood that the old arrangement of the place, historic British to the left, modern International to the right, modern British somewhere at the back, has been utterly changed, and yet there was no sense of more than momentary confusion. And it seemed so much quieter than before, with everyone so intent and purposeful, moving not across and in spite of each other, but at whatever speed to the same end.

Nicholas Serota, a mere 18 months into his term of office, has achieved that rarest of feats for any Director of the Tate Gallery, which is to win near universal praise. That he should do so by forcing through a policy that is, to say the least, controversial, is only to make his success the more remarkable. First he has cleared away every architectural intrusion, every false ceiling, screen and wall by which the Tate has been cluttered these past 30 years, and then set about its comprehensive rehanging in an entirely new critical sequence.

Serota has made no secret of this, speaking of his hopes for reorganisation and reintegration even before he took up his appointment, itching to get his hands on the collections. In the light of his being the first director confirmed in the job for a mere five years, with no certainty of renewal, the speed with which he has acted to make his mark is hardly surprising. His great daring has been to establish a single circuit of the Tate that leads the visitor inexorably, without the least logical hiatus, from the painting in Britain of the 16th century to the latest of international modernism. The visitor may break in at any point, but with significantly fewer works now hung throughout, the whole is assimilable without rush in reasonable time.

The principle followed is that the hang should be permanent rather in the skeleton than in the flesh, with certain key works holding their place, around which relevant works will come and go. The sense, it is hoped, will be one of such constant renewal, refreshment and redefinition of the collections that professional and amateur alike, we shall hardly be able to keep away.

The first great pleasure is to pass into the high and handsome Duveen Galleries, opened out and committed once more to their original purpose as sculpture halls. And it is down this long central avenue that we must go, past Rodin and Maillol, Long and Matisse, Merz, Deacon and Penone to where, at the far end, we turn left into the old back gallery where once hung Sargent, Burne-Jones and other late Victorians. Here, with the Elizabethans and the Carolines, with Hilliard and Gheeraedts, Peake, Dobson and Lely, in a room once dark but now cool and light, the sequence proper begins.



Nicholas Serota, Director of the Tate Gallery, standing in front of Duncan Grant's 'Bathers'

If I seem to emphasise the apparent physical changes, it is simply because, to the regular visitor, they are inescapable. To turn the far corner from that first room, to confront the long vista down the Tate's entire south-western flank, with Hogarth behind and Mondrian in the distance, is to enjoy one of the more remarkable architectural frissons that London has to offer. It is suddenly borne in on us with immediate force that beneath the pictures, the Tate itself, save for the 1970s extension, was always really very good.

But the exercise is by no means merely cosmetic. What we now have is the most ambitiously didactic hang ever seen at the Tate, perhaps at any major museum. It seeks to demonstrate the truth of two related propositions: that the art of the western European tradition is a continuum which connects the work of the past to that of the very latest moment: and that British art, far from being incidental, is integral to it and of real significance.

Thus we are shown the British School from the 16th to the late 20th century in its natural, discursive sequence and, when the moment comes, related unapologetically to current international developments. Thus the pre-Raphaelites are given their central place at last, and all the rest who make up the story of the 19th century. And thus too a place is found at last for Stanley Spencer at the very heart of the display.

With impressionism the display becomes international and the broader context easily established, though we must wait for that crucial room, with Monet and Sargent, William Nicholson and Gwen John, Whistler, Sickert and Degas to be completed. Yet how good it is to see Paul Nash with a room to himself, next door to European surrealism, and Matisse, Picasso and Derain. So on through the 1920s and 30s, and into the extension and the post-war period, with the rooms hung with an ever braver, even prodigal simplicity.

These last rooms on the circuit, before we debouch again onto the central axis, are no doubt where we shall see most regular and radical changes made. It will be by the quality and critical energy of such permanent renewal and reappraisal of the collections, sustained year after year, that we will come to judge Nicholas Serota's brave initiative, for good or ill. In this he asks a very great deal in terms of commitment and support from his staff, but pays them, too, the great compliment of expecting it. So far their mutual support has paid off splendidly, with real hope that no one in the longer term will be disappointed. National support is never so certain.

Mikhail Rudy

QUEEN ELIZABETH HALL

The pianist Rudy was, I think, giving his first London recital on Sunday afternoon, and very impressive it was. Not least for his choice of encores after a demanding programme: Chopin's sublime D-flat nocturne, played faultlessly and with crystalline feeling, and then – as an *encore*! – the whole finale of Stravinsky's *Petrushka* transcription, in towering high spirits and magnificent colours. This man is a pianist-musician of the first order.

The glory of the first half of the recital was his *mezzo-piano* range (sadly under-cultivated by most modern virtuosi), in which he explored Skryabin and Ravel with devoted subtlety. Wherever his superlative technique surfaced, he took care not to let it make any obtrusive splash: the most hazardous figurations in Skryabin's *études* and in Ravel's "Ondine" and "Scarbo" were turned with deceptive ease, giving full priority to the expressive burden. (It must be said that while Rudy's rapid-fire octaves are up to the best Russian standards, his *fleet major ninths* – a hand-stretching octave-plus – in no. 1 of Skryabin's op. 65 took one's breath away.) "Ondine" pre-eminently sang, as it should but rarely does, and there was poetic *chiaroscuro* in even the most clever-fingered of Skryabin's studies.

It wouldn't quite be captious to observe that Rudy assigned less weight to rhythmic grip than he might ("Scarbo" was phosphorescent but fitful, *Petrushka* occasionally reckless); that his penchant for languishing *rubato* would have earned a rebuke from Ravel about "Le Gibet" – which was otherwise sculpted in full depth; that his bass-line (in this hall, at least, on an indifferent Steinway) was sometimes too understated to make the most of harmonic cruces, especially in Skryabin, and that to conclude so rich a Skryabin survey with the fustian D-sharp minor study is just Soviet-naff. Not quite captious reservations, but marginal: you listen to an artist like Rudy for penetrating individual insights rather than Conservatoire rectitude.

He played Liszt's transcription of Isolde's "Liebestod" like a limpid, introspective piano-dream, not a mock-orchestral orgasm. Liszt's first two "Valses oubliées" were at once brilliant and elusive, and the feathery gleam of his "Gnomenreigen" never insisted upon being the digital feat that it actually was. Rudy was much more than equal to the manifold challenges of Schubert's "Wanderer" Fantasy, both musical (tricky gear-changes and abrupt switches of tone) and executive (relentless wood-chopping in the Finale); this was a passionately rewarding performance, of sovereign breadth and sweep. You should miss no chance of hearing this pianist.

David Murray

SALEROOM

Big money for US furniture

At the moment the Americans are going through a patriotic phase in their acquisition of antiques. An object has to be made in the US to command the really big money. This was well illustrated over the weekend when a gilded copper and zinc weathervane in the shape of a horse and rider sold at Sotheby's to the dealer Score for $770,000 (£465,000), comfortably above a $600,000 top estimate. It was made around 1860 by J. Howard & Co of West Bridgewater, Massachusetts, and romantically evoked the American rural past. It was part of the folk art collection of the late Bernard M. Barenholtz.

Earlier at Christie's, desirable tables carved in Philadelphia in the late 18th century had sold for over a million dollars. Furniture made in the UK in the same period, recognised at the time, and later, as being of finer quality, cannot approach such prices.

Still, Christie's held a successful auction of English furniture over the weekend with a total of $3.8m (£2.3m) and only 9 per cent unsold. There was one exceptional price, the $396,000 (£240,000) paid by a London dealer for a pair of George II walnut and beechwood library chairs. They had a top estimate of $80,000, but their excellent provenance – they were part of a set that belonged to the Dukes of Devonshire at Chatsworth from the mid-18th century until sold to Lord Duveen in the 1920s – and the link that Christie's made to chairs designed by Chippendale, obviously caught the competitive imagination of prospective buyers.

A record price for a Carlton House desk of $231,000 (£140,000) was paid by another London dealer, Partridge Fine Art. The story is that the Prince Regent, occupier of Carlton House, gave this example to his court tailor soon after 1800. In 1975 Sotheby's sold it in New York to Jack Dick for $36,000. Another Dick purchase, a Queen Anne burr walnut bureau cabinet, sold for $154,000 (£92,771), at the low end of its estimate. He paid $28,000 for it in 1975.

A pair of George II grey painted and parcel gilt mirrors, which had hung in Ditchley Park in Oxfordshire, sold to an American dealer for $330,000 (just under £200,000) as against a top estimate of $70,000, while another lot to far exceed its forecast was a pair of George II console tables with eagle bases which have an Italian baroque grandeur, introduced into England by William Kent. They sold for $308,000 (£185,000) as against a high estimate of $70,000.

Antony Thorncroft

Mahler & Benjamin

FESTIVAL HALL

The core of the Mahler First Symphony performance given on Sunday by Klaus Tennstedt and the London Philharmonic was its slow movement. "Mit Parodie" is one of Mahler's most important markings; and the kind and degree of "vocal" nuance which the strings and woodwind applied to their brass-band and café-music imitations revealed anew the extraordinary depth of this conductor's Mahlerian understanding, his almost unequalled capacity (among today's conductors, at least) for penetrating under the skin of Mahlerian dramatic irony.

The bittersweetness was not poured on with a soup-ladle; the oompahs and shrilling outdoor refrains were not banged out with crude appetite. There was razor wit in the tracing of every detail, every note and rest-marking; the dynamic range was wide, the touch of accent and phrase-shape fleet and feathery. Because the music parodied was handled with such subtlety and musicianly eloquence, the multifaceted nature of the movement could be unfolded with uncommon suggestiveness.

It is, indeed, a rare performance of this much-played work that can make the listener appreciate with new understanding the many levels, psychological as well as structural, on which Mahler's symphonic argument unfolds. Sunday's performance was rare, and uniquely rewarding. It was less securely delivered than past LPO Mahler readings under the same conductor had led one to expect – there was shaky intonation in the opening (not helped by the hall's dry acoustics) and loose ensemble at the start and close of the scherzo. It would be wrong to insist that these flaws were of no matter; but the honesty, candour, and fierce intelligence of the whole put them in the proper perspective.

In the first half, the orchestra had offered George Benjamin the opportunity to conduct Debussy's *Gigues* (not slickly tooled but full of fascinating colour shades) and his own Turner-inspired 1982 chamber-work *At First Light* (its combination of obsessive urgency and superfine delicacy of sound grows more impressive with each hearing). The first British performance of Benjamin's *Cascade* – five minutes of pulsating orchestral momentum glitteringly sustained across a wide instrumental canvas – whetted the appetite for the completed work of which this is only the opening movement.

Max Loppert

Music Projects

ALMEIDA THEATRE

The two programmes in the latest tranche of Music Projects' "New Images of Sound" series at the Almeida combine British and German composers; Wolfgang Rihm is represented in both, and on Sunday Richard Bernas conducted the UK première of his *Chiffre V*, alongside a piece by Hans-Joachim Hespos and two by James Dillon. Rihm is one figure for whom British audiences can be excused only partial knowledge; his output is huge, and only a small fraction has yet reached performances here. Two more of the *Chiffre* series (*I* and *VI*) are to be introduced in the second concert; this one offered an uneasy mix of brassy rhetoric – some positively Wagnerian gestures along the way – and more textured ideas, interrupted at one point by a repeated-chord fixation in the piano, as if the spirit of early experimentalism had suddenly taken over the proceedings.

Hespos is a less familiar name. On the evidence of this score, *Esquisses itinéraire*, he seems to have affinities both with Helmut Lachenmann and with Kagel's explorations of the politics of performance. The music seemed as concerned with commenting upon the rituals of concert-giving and concert-going as it was with the construction of an aural image. In a larger, more formal space than the Almeida the piece might make more of its visual subtext, and give its sounds more space and perspective.

Certainly the acoustical confines of the theatre placed some constraints upon both the Dillon pieces. Neither is new, though *Windows & Canopies* from 1985 was receiving its first performance in London. *La Femme invisible* is part of a larger sequence of pieces; heard here out of context it seemed a little short-winded (though not particularly short, at 15 minutes), but as usual with Dillon well filled with craftily imagined complexes and enough structural benchmarks to keep the listener orientated. Though only slightly longer *Windows* gives the impression of a much more substantial work altogether, weaving skeins of intricate string lines which are marked off by the percussion and increasingly punctuated by wind. It is shapely and fascinating, though whether the title carries more than descriptive significance is hard to say – Music Projects loses marks for providing no programme notes, and only the briefest of spoken introductions from the platform.

Andrew Clements

Paula Robison

WIGMORE HALL

On this side of the Atlantic Paula Robison's reputation may not match that of some of her glitzy fluting peers, but as her recital on Friday with the pianist Timothy Hester underlined, she belongs unambiguously in the highest echelon.

In a programme that nicely contrasted recent American flute music with some of the instrument's French staples – Debussy's *Syrinx*, Chaminade's *Concertino* and four of Ms Robison's own arrangements of *Fauré mélodies* – she demonstrated superlative technique, a wonderfully supple, fine-grained tone, and discreet, civilised musicianship.

In the American selection, those attributes were by no means thoroughly exploited – Lowell Liebermann's Sonata seemed so concerned to avoid all the contemporary clichés of flute writing that it settled upon an unsatisfying approximation to the sonorities and figuration of Prokofiev's Flute Sonata, which only made one long to hear Robison in the real thing.

Samuel Barber's *Canzone* arranges the slow movement of his Piano Concerto with succulent flute melodies and rich piano arabesques, while Roy Harris's strange little *Lyric Study* was evidently part of a projected series composed around 1950, but only unearthed posthumously among his manuscripts.

The Variations by Robert Beaser (born 1954) were by a long way the most ambitious work of the evening; hard to grasp at first hearing and saddled with an impenetrable programme note, but undoubtedly representing a real attempt to find something new in the medium and to find the structural rigour that flute music conventionally lacks. It is fiendishly difficult for the flautist, though hardly a display piece – the inclusion of a big cadenza towards the close seemed to me a miscalculation in this highly wrought context – and has a serious undertow that sometimes wells up powerfully. The style is heterogeneous, sometimes neoclassical, sometimes more aggressively modernist, but in the end coherent. Beaser's music is entirely new to me, but there was more than enough substance in this piece to encourage further investigation, and enough superb playing to hope for Ms Robison's return before too long.

Andrew Clements

ARTS GUIDE

January 26-February 1

OPERA AND BALLET

London

Royal Opera, Covent Garden. The long-awaited new production of Borodin's *Prince Igor* by Andrei Serban is a collaboration of the Royal Opera and Ballet, conducted by Bernard Haitink. At Covent Garden, the Royal Ballet plays *La Fille mal gardée* in tandem with the fireworks of the *Laurencia* grand pas every evening until Jan 30. English National Opera, Coliseum. The company undertakes a Berlioz rarity – *Beatrice and Benedict*, his late, ravishingly beautiful version of *Much Ado about Nothing*. *Faust*, in Ian Judge's deft, fast-moving production (using the original spoken dialogue), continues in repertory.

Paris

Théâtre des Champs Elysées. The Russian season by Leningrad's Pristina. National Opera Theatre Maly includes, in alternation, *Khovanchichina*, *Eugène Oneguine*, *Boris Godunov* and *The Queen of Spades* (47203637). Paris Opéra. The Paul Taylor Dance Company arrives with two alternating programmes. Ends Sun. Palais Garnier (40173840).

Amsterdam

The Netherlands Opera with a new production Gluck's *Orphée et Eurydice*. Nederlands Dans Theater in Jiri Kylian's *Tanz-Schul* to music by Mauricio Kagel. Muziektheater (255 455).

Madrid

Teatro Lirico Nacional de la Zarzuela. A new production of Rossini's *Il turco in Italia* opens the Madrid opera season. (429 82 25). Palacio de Exposiciones y Congresos. *Romeo e giulietta* performed by Aterballeto, is part of the Italian-Spanish festival. It is a one-act ballet based on Shakespeare's play. Music by Berlioz (Tues-Thur).

Barcelona

Gran Teatre del Liceu. This week's programme includes *Elektra* y Strauss. Produced by the Royal Théâtre de la Monnaie and Opera National Bruxelles with Eva Marton in the title role and conducted by Uwe Mund (318 92 77).

Brussels

Théâtre Royal de la Monnaie. The Monnaie Opera in Mozart's *Cosi fan tutte* conducted by Sylvain Cambreling, staged by Luc Bondy, designed by Karl-Ernst Herrmann. Palais des Beaux-Arts. The London Contemporary Dance Theatre in *To Comfort Ghosts* choreographed by Dan Wagoner. Forest-National. The Bolshoi Ballet and Orchestra conducted by Alexander Kopylov in *Giselle* with Natalia Bessmertnova and Irek Mukhamedov.

Antwerp

Koninklijke Vlaamse Opera. The Royal Flanders Opera in Haydn's *L'Infedelta delusa* staged by Philippe Lenael. La Petite Bande Orchestra conducted by Sigiswald Kuijken. De Singel. Compagnie Preljoca in *Les Noces/La Chambre* choreography by Angelin Preljoca.

Liège

Théâtre Royal. The Royal Wallonia Opera in Massenet's *Don Quixote* conducted by Paul Ethuin.

Vienna

Staatsoper. *Carmen* conducted by Claudio Abbado; Ballet: *Dornröschen*, choreographed by Rudolf Nureyev and conducted by Peter Keuschnig; *Lohengrin* conducted by Claudio Abbado. Volksoper. *Das Land des Lächelns*, *Die Fledermaus*, *Tiefland* and *Eine Nacht in Venedig*.

Milan

Teatro Alla Scala. Excellent production of *Giselle* danced by Isabel Seabra and Robert Hill, and Giorgio Strehler's production of Beethoven's *Fidelio* conducted by Lorin Maazel. (80.91.26).

Rome

Teatro dell'Opera. Puccini's *Madame Butterfly* conducted by Pier Giorgio Morandi (Mon) and Daniel Oren (Wed). (46.17.55).

Florence

Teatro Communale. The Balleto Antonio Gades in *Fuego* from Manuel de Falla's *El Amor Brujo*, in Carlos Saura's production (2779236).

Turin

Teatro Regio. Puccini's *Turandot* conducted by Yuri Ahronovitch, with Elena Mauti Nunziata, Sophia Larson, Nicola Martinucci and Mario Bolognese (8815241).

Venice

Teatro la Fenice. Claude d'Anna's revival of Leoncavallo's *La Bohème* opens the autumn season (5210161).

Berlin

Opera. *Die Zauberflöte* conducted by Heinrich Hollreiser. *Die Hochzeit des Figaro* stars Julia Varady, Catherine Malfitano, Ruthild Engert, Patricia Johnson, Andreas Schmidt and Manfred Hemm. *Elektra* is led by Gwyneth Jones in the title role. *Der fliegende Holländer* convinces thanks to Robert Hale, outstanding in the title role. *Die lustigen Weiber von Windsor* rounds off the week.

Hamburg

Opera. *Idomeneo* under the superb musical direction of Gerd Albrecht. *Otello* features Linda Plech, Olive Fredricks, Wladimir Atlantow and Franz Grundheber. The ballet *Peer Gynt*, specially composed for Hamburg by Alfred Schnittke has wonderful John Neumeier choreography.

Cologne

Opera. Jochen Ulrich's ballet *Lulu*, danced to music by Nino Rota will have its world premier this week. *Die Fledermaus* is a repertoire performance.

Frankfurt

Opera. *Parallax* is jointly choreographed by William Forsythe, Susan Marshall and Amanda Miller, danced to music by Bill Frisell, Beethoven and Gavin Bryars. Also William Forsythe's musical *Isabelle's Dance*. *Iphigenie en Tauride* by Gluck will have its premiere this week. *Der Zigeunerbaron* also features.

Bonn

Opera. Last performance of Jorge Lavelli's wonderful *Andrea Chenier* production. Further performances of Youri Vamos' ballet *Spartakus*.

New York

Metropolitan Opera. Harold Prince directs a new production of *Faust*, conducted by Charles Dutoit. Nello Santi conducts *La Gioconda* in Bruce Donnell's production with Ghena Dimitrova in the title role. James Levine conducts *Cosi fan tutte*. Lincoln Center Opera House (362 6000). New York City Ballet. The mixed repertory continues with performances of *Coppelia*, *La Source* and *Square Dance*. New York State Theatre, Lincoln Center (870 5570).

Washington

Washington Opera. The East Coast premiere of Dominic Argento's *Aspern Papers* reproduces the original Dallas Opera production. *The Merry Wives of Windsor* continues with Kenneth Cox as Falstaff and Sheryl Woods as Mistress Ford. Eisenhower (467 4600).

Chicago

Lyric Opera. Julius Rudel conducts the final performances of Ambroise Thomas's *Hamlet*.

FINANCIAL TIMES

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Tuesday January 30 1990

The fudge ceremony

THE US BUDGET has become an annual rite in honour of wishful thinking, and it seems clear that this sad waste of time is to continue indefinitely. In theory, both the Administration and the Congress are devoted to an austere process of deficit reduction which will restore balance in three years. In practice, the Administration proposes a set of measures which it knows will be drastically altered in Congress, resulting in a projected deficit which nobody believes. Much of the legislative year will then be wasted in bickering.

At the end of the bargaining and the vetoes, a new set of measures will be signed, which the Administration will certify will produce the deficit laid down in the Gramm-Rudman-Hollings act. A few weeks later, the Administration will admit that this result is quite unattainable. Thus the President's budget proposals published yesterday were accompanied by an official estimate from the Office of Management and Budget that the 1990 deficit (for the year which started in October) will be just under $124bn. This is the result of the same measures which were certified only a few weeks ago to imply a deficit of $100bn, and which according to the Congressional Budget Office will actually produce a deficit of $137bn.

Trivial sums

In terms of the US economy as a whole, let alone of the entire *developed world* economy, these sums are trivial. The Gramm-Rudman process does put real downward pressure on spending, and so helps to stop the situation getting any worse; and it would make only a modest further difference if the targets were actually hit instead of being ritually missed. The outcome is *probably as good as it is realistic* to expect in the political circumstances in which the President is advised that his no-tax pledge is essential to his party's future, the Democrats must defend welfare for their party's sake, and in which neither dare reduce their past commitments to the retired.

In many ways the 1991 pro*posals are as deceptive as ever.* Above all, the claimed reduction in the deficit is largely due to the growing revenue from social security taxes. This means simply that the US is using the retirement savings of ordinary workers to pay interest on the national debt. If a private scheme was run in this way it would be described as a Ponzi scheme, and its trustees could be sued for fraud. Unfortunately the illusion that the US system is soundly funded does not come free; it is the main justification for the claim by the old age lobby that retirement benefits have been fully bought by the beneficiaries, so that any reduction would be theft. Senator Moynihan's proposal to cut the social security tax would paradoxically make the future burden more obvious even while cutting current payments.

'Peace dividend'

However, although the claim that the deficit is being eliminated conceals the truth that it is probably rising a little, there is one clear hope for a better outcome: the "peace dividend" is not being collected in 1991, but a significant instalment of it may *become* payable after the scheduled arms negotiations. It seems clear that the Pentagon's very cautious approach to defence cuts has much more to do with preserving its bargaining chips than with planning for any real military contingency. The proposed $6bn policy cut in defence spending could grow to something near $45bn within three years or so. This could bridge perhaps half the gap between the claimed deficit and the likely outturn.

None of this alters the conclusion that the US budget process has become a machine for avoiding hard choices rather than for forcing the politicians to face them. The proposed *capital gains tax cut* may encourage a few start-ups, at a large cost in distorted incentives, and there is a very modest proposal to encourage personal savings accounts. But there is still no language to suggest a serious attempt to raise the national savings rate by the two or three percentage points needed to put the US on *a path of independent growth* instead of external dependence.

A government for London

YESTERDAY'S proposal by the British Labour Party that there should be a new, elected, strategic authority for London begs many questions. It is in fact just part of a manifesto for the May local elections. It should none the less be taken seriously. The degeneration of many London streets and the absence of a strategic plan for Britain's capital city are surely not unconnected with the fact that since the disappearance of the Greater London Council nearly four years ago there has been no single, controlling, metropolitan authority. This is not to call into question the abolition of the unwieldy, profligate and inefficient GLC itself; the issue now is whether, and in what form, a new London government should be established. Labour says it will be "lean and tightly managed," but more detail will be required if that phrase is to sound convincing.

The first problem is that during most of the postwar period the structure of London government has been a political *football. The Tories did not* like the old London County Council, whose electorate tended to return Labour administrations, so it added in Conservative outer suburbs to create the GLC, which it got rid of after it was found that that, too, seemed likely to be Labour-run in most years. Labour's last period of office at County Hall was marred by an incompetent and provocatively Labour-Left programme, which did nothing to enhance the prospects of the party nationally. The leader of the Labour Party, Mr Neil Kinnock, would do well to nail this issue by proclaiming now that the new London council will be elected by proportional representation; this is an implicit option in Labour's plans for regional government, of which the London council would be a part.

Responsibilities defined

A further task is to establish just what it is that a new London council would do. Labour's proposal is that it will oversee public transport, regional planning, roads, the police, fire services and waste disposal. All of these are likely to be best managed by a central city authority, although transport in particular requires decisions that stretch right across the south east of England. The Labour Party does not say what precisely neighbouring regional authorities would undertake, and where the boundaries of responsibility would lie. Much of the political appeal of Labour's new approach will come from the widespread feeling of frustration at the blockages in London's transport, public and private, but the party will not derive lasting benefit from mere statements of good intent.

Funding source

A third question is, how will it be financed? The Labour programme suggests a substantial increase in expenditure on city services; indeed it unashamedly calls for a subsidised public transport system. Neither the amount of money required, nor its source, are specified. The party's replacement for the poll tax, which is to be based on a property tax formula related to occupants' incomes, has yet to be fully *worked out. The history of* changes in local government over the past half-century is marred by repeated attempts at reforming the structure without reforming the finance, and vice-versa. No suggestions for change will be credible unless the two are addressed simultaneously.

The fact remains, however, that London is not what it used to be. There is much new development, some of it worthy, but also much decrepitude, a great deal of pavement rubbish, unaffordable housing, congested roads, and run-down underground services. Education, which should stay with the boroughs, is in a poor state. Central Government Departments are not competent to co-ordinate the other work of the boroughs on a London-wide basis, and ad-hoc co-ordinating authorities do not have the necessary democratic base.

The case for a London-wide council is a strong one. What is also needed is a directly elected, properly executive, mayor of all the area within the M25 ring road. The right person could give London its appropriate standing among the great capitals of Europe. At least London might cease to be Europe's largest litter bin.

Stefan Wagstyl finds that Japanese business is leaving its US and European rivals standing in a fast-growing market

Japan sets its stamp on east Asia

Japanese companies are building a commercial empire in east Asia.

Operating in the fastest-growing region on earth, Japanese businessmen are seizing opportunities which many of their Western rivals are failing to grasp. The position of European and US companies is still strong in east Asia, but it is weakening daily – diluted by the flow of Japanese capital, technology, trade and government aid.

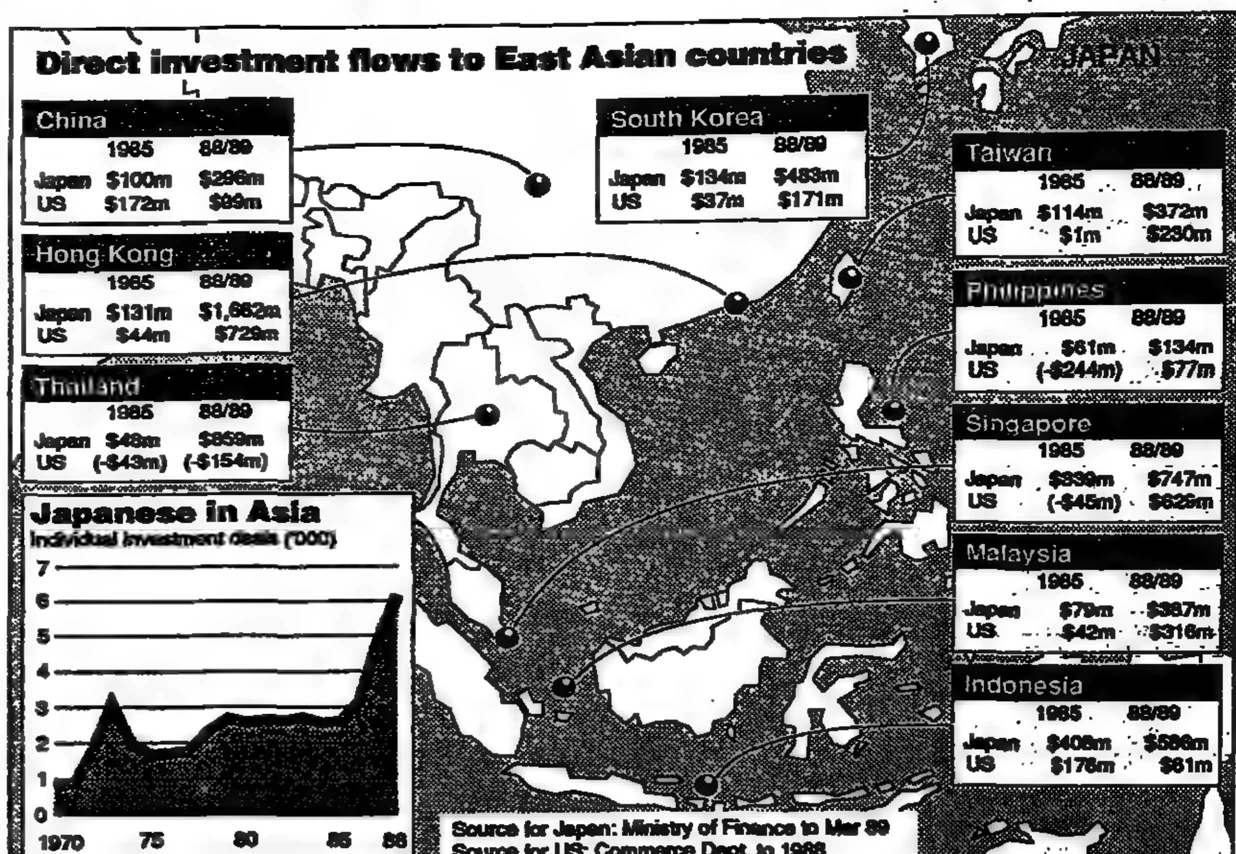
So far the battles are largely being fought in the corporate arena. But with tensions between the West and Communist countries easing, economic conflicts between the West and Japan are becoming increasingly political. East Asian countries, once mostly colonised by the Europeans and later strongly under the influence of the US, may be increasingly forced to choose between these older links and their newer ones with Japan.

Japanese officials are beginning to acknowledge the true scale of the country's regional influence. In an unusually frank report last year, the Government's Economic Planning Agency said: "The position of the US has dropped in relative terms… Japan's position has risen dramatically."

Others put it more bluntly. "Americans, British, French all make a lot of noise. But the Japanese are the real power in Asia," says Mr K C Kwok, an economist at Hongkong and Shanghai Bank in Hong Kong.

Some Asian countries feel threatened by Japan's resurgence, particularly those which harbour bitter memories of Japanese rule during the Second World War. But for the most part they are prepared to swallow their pride in the hope of sharing in the rewards of Japan's vast wealth – a hope which in many countries is already being fulfilled. "Japan is the only country capable of supplying resources to the region," says Mr Ali Wardhana, a former Indonesian Cabinet minister.

US opinion polls are showing that Americans believe Japan is a greater threat than the Soviet Union



Japan's first post-war investments in the region were made to secure supplies of raw materials, principally from Indonesia. This was followed in the 1970s and early 1980s by waves of investment mainly in the Newly Industrialised Economies (NIEs) – South Korea, Taiwan, Hong Kong and Singapore – designed to enter their markets through import-substitution and to establish export bases.

Since 1985, the rise of the yen has forced Japanese companies to redouble their efforts. With wages and currencies *climbing in the NIEs*, Japanese interest has focused on the members of Association of South East Asian Nations (Asean). Of these, Thailand has been the main target for the last two years – now it is Indonesia and Malaysia. Many companies would prefer to go to China, because it is closer and more familiar. But they were wary of the difficulties of doing business even before last year's politi*cal crackdown.*

Low labour costs are the main impetus. Early last year, a skilled worker's wages in Singapore were 20 per cent of those in Tokyo, according to Mitsui Research Institute. For Bangkok the figure was 10 per cent and for Jakarta 4 per cent. Japanese industrialists expect these gaps to close, but not for a long time.

Japanese influence varies greatly *between countries. But by most mac*roeconomic measures, the Japanese have overtaken the Europeans and are fast catching up with the Americans. According to the Nomura Research Institute, Japan takes 25 per cent – the biggest share – of Asean's exports, principally oil and gas and raw materials. For the NIEs, the US is the pre-eminent market, accounting for 31 per cent of exports in 1988. But Japanese imports from Asia are growing fast – by 20 per cent last year to $88bn. Meanwhile Japan has long been east Asia's biggest import source: supplying vital machinery and office equipment.

Japan overtook the US in the mid-1980s as the largest provider of foreign capital to the region. In the year to March 1989, Japan's flow of direct investment to Asia was $5.6bn, compared with $1.4bn in 1985. The nearest comparable figure for the US (for the calendar year 1988) was $2.3bn. Japanese investment in the US and Europe is greater than in Asia. But relative to the size of the region's economies, the Asian investments are huge – four times more for Thailand than for the US, for example.

As for government aid, Japan, the world's largest donor, provides 60 per cent of Asia's Official Development Assistance – a sum which accounts for about 60 per cent of Japan's aid *budget. The microeconomic details* are just as compelling.

Japanese banks account for 56 per cent of bank deposits in Hong Kong; Japanese department stores have 30 per cent of the colony's retail sales. At night the names of Japanese companies in neon lights illuminate Hong Kong's harbour. In Malaysia, one Japanese company – Toray – accounts for a quarter of the nation's textile *exports. In Thailand, most of the cars* clogging Bangkok streets are made at local Japanese-run assembly plants.

Western companies are by no means out of the race. Many Western companies in east Asia are at least as strong as the Japanese. Exxon, Shell, British Petroleum and other Western oil groups dominate oil and gas exploration and production. IBM is the biggest supplier of large computers. The top companies in chemicals and pharmaceuticals include Du Pont, of the US, ICI, the British group and BASF, of West Germany.

Japanese bankers may have the deepest pockets, but other banks have better connections – including Hongkong and Shanghai Bank, Standard Chartered Bank and Deutsche Bank. However, US and European businessmen concede that overall they are not matching the Japanese effort. "Japanese don't necessarily see opportunities first but pursue them more actively," says Mr Martin Barrow, a director of Jardine Matheson, the Hong Kong trading house.

Politicians often feel the same. Mr Chatichai Choonhavan, the Thai prime minister, recently told a US news agency: "You Americans don't compete enough with the Japanese. I don't want my children to speak Japanese. I want them to speak English."

Indeed some Japanese say their biggest competitors in Asia are not Westerners but other Asians, especially internationally-minded Korean, Taiwanese and overseas Chinese businessmen. Sir Y K Pao and Mr Li Kashing, the heads of two of Hong Kong's biggest trading houses, for example. Or the chiefs of the large Korean conglomerates – Samsung, Hyundai, Daewoo and Lucky-Goldstar.

Western executives say Japanese companies are succeeding for the same reason as elsewhere – a willingness to think long-term. Mr Tom White, chairman of the Asia-Pacific Council of American Chambers of Commerce, says: "I don't subscribe to the view that US and European companies are out of it. But the Japanese are more aggressive. They can get cheap capital. We can't."

The Japanese acknowledge that east Asian markets are often small but they look at the growth rates achieved over the past decade and extrapolate them into the 1990s. Senior Japanese executives in activities as diverse as banking, motors, electronics and hotels expect east Asia to generate an increasing proportion of their international profits.

Japanese companies are ready to take risks. Yaohan, a retail group, with 35 per cent of its sales overseas, rates east Asia's prospects so highly that it is this year moving its headquarters from Japan to Hong Kong. Japanese companies are well advanced in developing international networks in the region – for example Matsushita Electrical Industrial, the electrical combine, and Toyota, Nissan and Mitsubishi Motor, the car makers.

By melding Japanese managers, technicians and machines with low-cost local workers, Japanese companies are producing increasingly advanced goods for export. Mitsubishi Motor exports Proton cars from Malaysia to the UK and Lancers from Thailand to Canada. This year it is considering exporting station wagons to Japan.

There is nothing new about transferring labour-intensive work overseas to low-wage countries. Japanese industry has only around 5 per cent of its production overseas compared with 20 per cent for the US. But Japan is likely to catch up – The Ministry of International Trade and Industry estimates key sectors, including autos, machine tools, and industrial electronics, could have 30-50 per cent of their *output abroad by* 1995-2000. Consumer electricals could point the way – 90 per cent of Japan's fans are already made abroad as are 60-65 per cent of its radios and radio-cassettes.

The corporate giants are being followed by their parts makers. Japanese companies are particularly persistent in keeping control of the manufacturing process. Mr Izumi Hara, an economist at the Industrial Bank of Japan, says: "Japanese companies never quit any product area so they do not lose technology, even if it means going to China to make black and white televisions."

The Japanese corporate advance generates some tensions. In Hong Kong, Japanese construction companies have been accused of unfair trading in making low bids for large contracts.

In Thailand local businessmen have complained about Japanese companies poaching their best engineers. But there has been no repeat of the Tanaka riots – demonstrations which met a Japanese prime minister's visit to Asean countries in 1974. The passions aroused by Japanese land purchases in Hawaii and Australia have no parallels in east Asia. Nevertheless, Japan has to tread carefully. It is respected but it is not liked.

In Korea, people who install satellite dishes to pick up Japanese television broadcasts are denounced as unpatriotic. In Thailand, architects have complained that a Japanese-funded Thai cultural centre is too Japanese in design. Young Asians studying overseas prefer the US, Europe or Australia to Japan. Japanese popular culture makes inroads but it is insignificant alongside Western (principally American) influences.

In Korea people who install satellite dishes to pick up Japanese broadcasts are denounced as unpatriotic

Japan has been reluctant to cast itself as the region's leader for fear of evoking memories of the wartime Greater East Asia Co-Prosperity Sphere. It is also wary of exacerbating trade friction with Europe or the US by promoting any kind of formal regional economic alliances. Last year it co-sponsored an Asia-Pacific ministerial conference held in Canberra – but only after allowing Australia to take the initiative and insisting that the US be included.

Moreover, while the US is pressing Japan to assume a bigger share of aid and defence costs in the region, it is reluctant to cede influence. Last year, at the Asian Development Bank, for example, a Japanese-inspired plan for increasing the bank's role had to be *heavily watered-down at the US's* insistence.

Japanese government officials sometimes create the impression that it is only a matter of time before Tokyo unveils a regional masterplan. They talk vaguely of promoting "regional cooperation." But though the Japanese Government continues to supply ever-increasing amounts of aid, it has given no indication that it wishes to – or *feels* it can – fashion political initiatives in the region commensurate with its commercial influence.

In the meantime, Japanese officials can take comfort from the fact that even though Japanese companies are pursuing their own ends in the region they are also contributing to the economic development of a significant part of the Third World.

As *Mr Saburo Okita*, a former Japanese foreign minister, says: "If we solve the north-south issues here we can be an example for the rest of the world."

OBSERVER

Foggitt sets it straight

■ Bill Foggitt, the Thirsk weatherman has not quite completed his sums, but thinks that this month could go down as one of the mildest Januaries this century. The ones to beat are 1975, 1932 and 1917, all about 4 deg F above average.

The warmest day in Thirsk this month was January 15 when the thermometer hit 60 deg F, but while the mild weather has coaxed out a profusion of winter-flowering jasmine and accelerated the primroses, snowdrops and crocuses, it has not yet brought out the blackthorn, witnessed only once in January during Foggitt's lifetime.

He is not carried away by *the notion that the greenhouse* effect caused last weeks gales. "We have had fierce winds before. The Tay Bridge was blown down in 1879, the Eddystone Lighthouse was blown away in 1707 and the Armada was scattered by gales in 1588, but they didn't know about the greenhouse effect in those days."

Foggitt's popularity in the Three Tuns in Thirsk has grown measurably since he received the gift of a supply of beer from the FT at Christmas. It even made the local press. "I have a few little parties," he said. "My sister's friend called in one time. She is 85 and can drink sherries as if there is no tommorrow. She has to be restrained."

A further presentation arrived from the Meteorological Office – a large book on the countryside in honour of 75-years of continuous records from the Foggitt family.

After Henry V

■ *The Kenneth Branagh* phenomenon marches on. Not only has his Henry V been named best British film of the year; CBS UK has taken a 15 per cent stake in the company behind it, Renaissance Films plc.

Branagh is the managing director of Renaissance; the chairman is the stockbroker, Stephen Evans, who devotes more and more of his time to Branagh's work. Henry V is the only film the company has made so far, but there are thoughts of others, including Hamlet.

"We were looking for a big brother to take a significant minority stake," Evans says. CBS UK, now owned by Sony, fitted the bill: "Not very big money for them, but quite big for us." It was £350,000.

Floreat Flowers

■ Another case of art going to the market is the Angela Flowers Gallery, which is offering up to 500,000 ordinary shares of 15p at £1 a piece under the Business Expansion Scheme. It is the first British gallery dealing only in contemporary art to take this route.

The Gallery counts among its financial advisers Robert Heller, the management writer, who has been an admirer almost since Angela Flowers set it up in 1970. "We never had a proper capital base," says Heller, "though sales have gone very well in the last few years."

The Gallery is now firmly established in Hackney, a location that has not proved at all a disadvantage, and the artists have proved remarkably loyal. Some of them will be buying shares.

If all goes well, there could be branches in the West End and New York in the not-too-distant future.

Double trouble

■ Whether Observer's campaign to eliminate the double genitive is making ground remains debatable; it has certainly stirred up interest. Don

"What am I supposed to do with all these forged ID cards?"

Peters of Pimlico writes that since the mighty Fowler never mentioned the double genitive, "he must have thought it quite normal and unquestionably acceptable."

Peters says that if Observer wants to take on the role of pedagogue, he should start work on the paper's writers rather than its readers. He claims that we nearly always misuse the word "protagonist" and cannot tell the difference between "flaunt" and "flout".

Indeed most readers really want a campaign for some*thing else. David Sinclair, a* mathematician from Hampshire, complains about the use of a singular verb with a plural noun, especially on the BBC weather reports. For example: "Here's a couple of examples of the charts." Sinclair also raises the question: What is the origin of "yours" as in "yours faithfully"?

H E Rylands of Keswick wants a campaign against the use of the word "eponymous", which he says most people either use in the wrong context or do not understand: as, for instance, in "the eponymous Gerald Ratner". Stephen Macklow-Smith of North London says that the origin of the double genitive lies in a form of the French superlative, then goes on to tell a long story about a man from Credit Suisse First Boston who over-indulged in a restaurant in Knightsbridge, but was well looked after by a taxi-driver and his wife in Wanstead.

Friendly bombs

■ One of the troubles with the European Fighter Aircraft is its name, especially in West Germany where the general mood has become very pacific. Even the three-nation Tornado may not have got very far if it had continued to be called by its original title: the Multi-Role Combat Aircraft (MRCA).

To the Germans, the *EFA* has been known until now as the Jäger-90. Yet the idea of the hunter-fighter is clearly too bellicose for an increasingly anti-military and environmentally-conscious public. The EFA's promoters say that as a defensive aircraft, the Anglo-German-Spanish-Italian interceptor should be ultra-acceptable to the *new Gorbachev*ian world of "defensive defence."

We put it to a General in the Luftwaffe that something like the Fliegende Igel (which is German for Flying Hedgehog) might suit. It has the advantage that for war-mongers Igel sounds enough like Eagle, even though the Ameri*cans have bagged that name* for one of theirs.

The General reflected seriously and said it did indeed convey defensive purpose. It could catch on, though there is also Europe's Friendly Aircraft and other suggestions are being sought.

Your guess

■ Card pinned to the door of a Fulham flat: "Please do not knock or ring when I am out as it will upset my budgies. Thank you."

LETTERS

Building on the UK's natural energy resources

From Mr M.J.S. Gibbons.

Sir, Your columns in recent weeks and the increasing concerns within UK industry about future electricity prices for large users have again raised the issue of the relationship between industrial and *domestic prices for electricity.*

The Director-General of the Confederation of British Industry (Letters, January 13) gave evidence that UK large user prices are already higher than in several European Community countries. He might also have added that the domestic price of electricity is the lowest in the European Community, according to figures published by the Government in a written answer to the House of Lords on December 6 last year.

ELECTRICITY PRICES (domestic/industrial ratio)

	1986	1988
Belgium	2.51	2.77
Denmark	2.42	2.82
France	2.62	2.74
Germany	1.73	1.78
Ireland	1.58	1.49
Italy	1.40	1.54
Netherlands	2.13	
United Kingdom	1.47	1.48

Source: IEA

I thought your readers would be interested in further analysis of the figures. I have represented the figures (the original source used was the International Energy Agency) as a ratio between domestic and industrial prices.

Thus the difference between small and large user prices is least in the UK and, if we are to believe the current rumours, is likely to reduce further. By contrast, in the rest of the Community the trend appears to be of increasing divergence.

Have the UK accountants who allocate costs between these sectors gone to a different school? It would seem that the rest of the Community can justify these differences. Whatever the reason, large users in the UK still await the opportunity to build on the strength of the UK's natural energy resources through internationally competitive prices which would underpin the long-term health of several UK manufacturing industries.

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Middlesbrough, Cleveland

Privatising BR as a unit

From Mr David Sawers.

Sir, Mr Davies (Letters, January 22) asked what form of privatisation I would recommend for British Rail.

In an earlier article ("Privatise it but do not split it up," FT, June 8 1988) I argued that BR should be privatised as a single unit, because all means of dividing it up were impracticable. I have not changed my views.

As I argued in the article to which Mr Davies refers ("Removing the politicians from the driver's seat," January 9), I believe that privatisation with an independent regulator would improve the efficiency of BR by removing the scope for political intervention in managerial decisions: for as long as BR is in public ownership, politicians must be expected to intervene in its affairs.

To use a hackneyed phrase, privatisation would restore management's right to manage.

David Sawers,
Crosby, 10 Seaview Avenue,
Angmering-on-Sea,
Littlehampton, West Sussex

Not forgetting Faraday

From Ms Elizabeth Morris, Mr J.C. King and Mr K.W. Nicholls.

Sir, We would question Barbara Durr's assertion ("Well-placed Chile leads in the logistical battle for Antarctica," January 11) that the Chileans operate " . . . one of the continent's three most important meteorological stations" with the other two being run by the US and *the Soviet Union.* If any station in the Antarctic peninsula is worthy of this accolade, then Faraday, operated by the British Antarctic Survey, must be the strongest contender.

Faraday Station, situated in the Argentine Islands some 300 miles south-east of the Chilean base, Lieut Marsh, has operated a full meteorological programme since 1947 and thus holds the record for the longest series of continuous climatological observations from the Antarctic peninsula. Marsh is a relative newcomer, with observations starting in 1960. Regular observations of ozone, and upper-air measurements using meteorological balloons, were started at Faraday in 1956.

Faraday's record is of intense interest at present. Climate models used to predict the results of a greenhouse warming show an amplified temperature increase in polar regions, particularly in the Antarctic peninsula. Long-term climatological observations are needed to show even this magnified change: the record from Faraday is only now demonstrating a statistically significant warming trend (not necessarily associated with the greenhouse effect), and it will be many years before such evidence is available from Lieut Marsh.

Forgive us if we sound a little partisan – but we are proud of our station and of the research we conduct there.

Elizabeth Morris,
J.C. King K.W. Nicholls,
Ice & Climate Division,
British Antarctic Survey,
High Cross,
Madingley Road, Cambridge

Increase in unit trusts

From Mr J.S. Fairbairn.

Sir, Lex comments (January 25) on the recent growth in the number of unit trusts to 1,379 and states that such a plethora may be good news for managers but it is far too many for small investors. He then suggests, illogically, that small investors would be better served if investment trusts were "allowed to compete."

Lex seems to have got things the wrong way round. A wide choice is usually regarded as an advantage for consumers, especially today in financial services, where independent advice is widely available from a closely regulated intermediary sector – dismissed disparagingly by Lex as "commission merchants."

Many managers on the other hand find the "plethora" a burden and the obligation to continue managing a unit trust which fails to reach break-even size can result in serious loss.

The question whether investment trust companies should be "allowed to compete" is a separate issue. But if they ever are, ways will have to be found to subject them to the same stringent regulations as have been designed for protecting investors in unit trusts.

The latter were actually designed for mass marketing, which accounts for their restrictive investment and borrowing rules and the requirement that investors can at all times redeem their units at asset value, on demand.

J.S. Fairbairn,
Chairman,
Unit Trust Association,
65 Kingsway, WC2

Some lessons from Japan

From Mr Denis MacShane.

Sir, Japanese unions, wage bargaining and industrial relations systems are very different from those in Britain but do not merit the dismissive putdown from Mr John Crump of York University (Letters, January 26).

Low pay, exploitation of immigrant workers and discrimination against women are all as evident in Britain as in Japan. I do not know Mr Crump's age but I can assure him that these problems existed before the beginning of Mrs Thatcher's reign.

The major difference is that Japan opted for a path of manufacturing-centred economic growth and Japanese unions supported that policy by linking wage increases to productivity over many years. The result is a very rich Japan in which workers receive a share and differentials between managers and managed are the flattest in the industrialised world.

The centralised bargaining system, similar to that in West Germany and Sweden, is a major contributory factor to high wages and good workplace relations.

Japanese unions have focused on economic questions and Japan lacks the social and welfare structures developed in post-war western Europe. The big question now is whether Japan's wealth will be used to improve the quality of life of its people other than through the pay packet.

But in terms of wage bargaining systems and workplace relations it would seem rather arrogant to suggest that British managers, unions and even York University academics have nothing to learn from Japan.

Denis MacShane,
International Metalworkers' Federation,
54 bis, route des Acacias,
CH-1227, Geneva

Market-driven training

From Sir Charles Villiers.

Sir, Your editorial comment ("The education decade," January 15) was followed by Mr Michael Howard, Secretary of State for Employment (January 22), saying that the development of eastern Europe would mean many more countries able to make things that do not require high skills and that Britain's hope of becoming a high wage economy was achievable only if the necessary skills were developed by a boost to training. Right! But what sort of training?

Sophisticated modern products are not produced in the same way as mass produced commodities, for which skills are simple, well known and easily taught on the bench. They were the foundation of Britain's strength and wealth – and still are.

We have now to move to customised, one-off products made to infinitely variable computer programmes. This process is knowledge-intensive and it will become more so.

Britons are in fact good at this. Japanese managers of Welsh plants have said that the local workforce is their best, worldwide. Britons enjoy this sort of work, which requires flexibility of thought and imagination, quick response to problems, enough knowledge to dare to innovate and suggest alternatives and confidence in computers in all aspects of business.

We do have curricula which teach this culture, but they are at present only for specialists. They should be available to all. That is why we should introduce training vouchers, as proposed by the Confederation of British Industry. Training would then be market-driven and we should get out from under the inherited industrial culture.

Charles Villiers,
Blacknest House,
Sunninghill, Berkshire

A dish for languages

From Mr Barclay Dutson.

Sir, Mr David Steeds (Letters, January 22) need not invest over £2,000 to receive foreign satellite television. A dish for the Astra Satellite has recently been advertised, including installation for £199.99. Or you may chose to rent it from Sky Television for £4.49 a week.

This dish will let you see three German channels, namely RTL plus, SAT I and PRO 7.

Other channels for which you would need additional decoders and probably the programmers' agreement are: Teleclub (Pay TV, German), Radio Tele Veronique (Dutch, multilanguage), TV3 and TV 1000 (Scandinavian) and Filmnet (movies aimed at the Dutch, Belgian and Scandinavian markets).

Astra will launch a second satellite at the end of this year.

Barclay Dutson,
Barclay Dutson Associates,
80 Harmer Green Lane,
Welwyn, Hertfordshire

Justice and the poll tax

From Mr M. Swiss.

Sir, The judiciary is coming round to the view that a fine of, say £350, for a small offence may mean a fortnight's income to one and the earnings of a day to another, and that fines should therefore be adjusted to this factor.

So why is it that all are being asked to pay about £350, irrespective of income, in the case of the community charge?

M. Swiss,
277 Valley Road,
Sherwood, Nottingham

Tax incentives for United Kingdom savers

From Mr P.D. Hale.

Sir, Your editorial comment ("Incentives for UK savers," January 26) suggests that the Chancellor of the Exchequer by incorporating deposit accounts within personal equity plans (Peps) would do something imaginative for those ordinary taxpayers who have received little help or encouragement to save in the past.

In fact, such accounts are already a permitted form of investment within a Pep. Further than that, cash received into a Pep must, pending other investment, be held in an interest bearing bank or building society account.

However, while the Pep investor will generally be relieved of higher rate income tax on the interest, he is, like any non-taxpayer, unable to reclaim the composite rate tax paid by the deposit holder which is treated as a basic rate income tax credit on his interest.

The solution that you should be seeking is the abolition of composite rate tax which penalises non-taxpayers, the number of whom will increase with the introduction of independent taxation in the next tax year, and a return to the payment of interest either gross or under the deduction of basic rate income tax which non-taxpayers would be able to reclaim.

P.D. Hale,
Simmons & Simmons,
14 Dominion Street, EC2

From Mr J. Charles Maisey.

Sir, Your editorial comment ("Incentives for UK Savers," January 26) both misrepresents personal equity plan (Pep) regulations and misses the fundamental flaws in the position of savings in the UK.

In terms of misrepresenting Peps, existing regulations permit deposits to be held (interest being taxed at composite rate) so that £4,800 can already be invested as you propose. However, what is the incentive to the saver who typically pays 1 per cent of his investment into a Pep plus 1 per cent per annum of the value of his investment to the approved plan manager?

Assume a gross yield of 15 per cent on a deposit of £4,800 as the investment in a Pep. If interest was allowed gross (rather than net as at present) the investor would earn £711.72 per year. (15 per cent of £4,800 less the 1 per cent annual charge of £55.20 including value-added tax). The basic rate tax payer would have suffered £180 of tax outside the Pep, the higher rate tax payer £288. But to save this tax the investor has foregone £110.40 in charges and VAT – in other words the basic rate tax payer is £69.60 better off. Hardly an incentive I would suggest.

The real issue left unexplored in your leader is that there is no equity in tax treatment between different types of savings. True, houses and pensions enjoy income and capital gains tax privileges but the one source of productive savings and investment does not.

Equity investment often made out of taxed savings is penalised through capital gains tax unlike other forms of savings. Only from artificial or controlled means (such as Peps) can capital be sheltered from a tax on enterprise – and even then unquoted or private companies are excluded.

The Government in seeking "a level playing field" has raised tax on gains to 40 per cent at the margin: a positive disincentive to save and invest risk capital. American experience shows that lowering capital gains tax raises tax revenue.

If a saver spent his gains, VAT would still be collected rather than part of his gains ending in the hands of the Pep administrator. Why not give savers the incentive to invest and make gains by abolishing capital gains tax and truly levelling the playing field.

J. Charles Maisey,
114 Old Broad Street, EC2

FOREIGN AFFAIRS

No crusade, no jihad

The Transcaucasian conflict is not a war of religion, argues Edward Mortimer

The Russian workers were afraid of arming the Azerbaijanis, whom they rightly considered unreliable from the Russian point of view. The Azerbaijanis on the other hand became hysterical at the very suggestion of arming the Armenians. Baku lived in constant fear of race riots, while the Russians believed that the disintegration of their army on the Caucasian front would lead to the extermination of all the Russians in Azerbaijan.

That passage, which could have been taken almost word for word from any number of press reports over the last fortnight, in fact describes the situation in Baku at the end of 1917. It comes from an excellent book long since out of print, but which an enterprising publisher should surely now reprint in a hurry: Firuz Kazemzadeh's The Struggle for Transcaucasia (1917-1921).

The story is a tragic one and, contrary to Marx's dictum, it shows few signs of being less tragic or more farcical second time round. If anything, nationalist and ethnic animosities are stronger and more widespread in Transcaucasia today than they were 70 years ago. Perhaps the only hopeful difference is that this time the disintegration of Russian power is not the result of world war. That should reduce the chances of Transcaucasia being invaded, and its domestic politics twisted back and forth, by foreign powers either at war with Russia, as Ottoman Turkey and Imperial Germany were in 1917, or nominally allied with it, as Britain was.

Even that is not certain, however. Already events in Soviet Azerbaijan have aroused intense interest in Turkey. Pan-Turkism, an ideology which had been almost defunct, has reappeared on the streets of Istanbul. Fellow-feeling between the Turks of Turkey and the Azerbaijanis (who speak a closely related variant of Turkish) seems to be just as strong as it was in 1918. Happily Turkey is not at war and therefore does not have war aims, such as the seizure of the Baku oil fields or the expulsion of British troops from Persia and Mesopotamia. But it does have a record of military intervention to protect ethnic Turks outside its borders (in Cyprus), and many Turks share the Azerbaijanis' deep fear of and hostility to the Armenians.

In the event of a complete breakdown of Soviet power in Transcaucasia (which seems quite close now), accompanied by further mutual massacres and/or an Armenian invasion of Nakhichevan, a Turkish intervention on the side of Azerbaijan is not inconceivable. If it happened there can be little doubt that it would be accompanied by the killing of Armenians on a much larger scale; perhaps even the destruction of the Armenian republic and the final dispersal of the Armenian people from what is left of their country. That might well have happened in 1920-21 had not the Russian civil war come to an end and Russian power been revived in Soviet form. The Armenians accepted Bolshevik rule and a truncated territory as the lesser evil, the apparent alternative being extermination by the Turks.

One of the most depressing aspects of the present situation is the readiness of many people in the West, and some in the Islamic world, to see it as yet another episode in a supposedly unending and irreconcilable trial of strength between "Christendom" and Islam. One might have thought the very notion of Christendom was an anachronism, since it implicitly identifies the Christian religion with a particular part of the world and a particular group of nations or states. Surely one of the great achievements of Christianity in this century has been to disentangle itself from the socio-political order and to reaffirm the direct relationship between God and individual human beings, irrespective of their race or the political regime to which they owe allegiance.

It is true that this approach has not been and probably cannot be fully replicated by Islam. The separation of religion and state is contrary to the principles of Islam as most Moslems understand them – and that can cause problems when Moslems expect a non-Moslem state to protect their religion from insult, as in the Rushdie affair; still more so when even a small number of Moslems claim that their religious duty over-rides the laws of that state in a matter of life and death. But those problems should not mislead us into assuming either that Moslems are the aggressor in every conflict, or that every political agitation involving them is a product of religious fanaticism.

Whatever was the case in the Middle Ages, it is incontrovertible that in the last two centuries Moslems were on the receiving end of imperialism virtually wherever they lived. Since 1920 most of them have regained their independence, in the sense of being ruled by their own kind rather than by non-Moslems. But there are still quite a few exceptions, the Moslem regions of the Soviet Union being the biggest. A smaller but currently topical one is Kashmir, where a Moslem majority was kept under Hindu rule against its will at the time of the partition of India. The Moslems of Kashmir are again causing "trouble," and yesterday one of Britain's usually most enlightened newspapers responded to this with a cartoon showing the sword of Islam, held by an uncouth figure in beard and turban, poised to amputate the hapless Indian province. Too often the western attitude to Islam seems to be that of the old French joke: *cet animal est très méchant; quand on l'attaque il se défend.*

If the Armenians deserve support, it is not because they are Christians but because they are human beings who are threatened

Many Moslems also feel that about the western attitude to Azerbaijan. They contrast western outrage at any suggestion of a Soviet clamp-down in the Baltic states with western expressions of understanding and support when the Soviet army actually cracks down in Baku, killing hundreds of people in the process. This overlooks the fact that an anti-Armenian pogrom had been carried out in Baku in the immediately preceding days. It may be (as Azerbaijani nationalists have claimed) that this pogrom was deliberately encouraged by the discredited outgoing leadership of the Azerbaijan Communist Party; and it may also be that the armed intervention had more to do with meeting a challenge to Soviet power than with saving the lives of Armenians – an interpretation confirmed by the Soviet defence minister's remarks last Friday. Still, the pogrom did happen and it inevitably affects people's attitudes to what followed.

My point is, however, that this has nothing to do with Islam or Christianity. If the Armenians deserve support, it is not because they are Christians but because they are human beings threatened with massacre, and this also applies to Azerbaijanis living in predominantly Armenian areas. Things have got to the point where further bloodshed may only be avoided by the sad but well-tried method of sorting out the population into ethnically homogeneous blocs and putting a peacekeeping force in between: perhaps an international one, if Russians no longer have the appetite or the authority to do it. The number of people obliged to leave their homes would be smaller if Nagorno-Karabakh, with its predominantly Armenian population, were placed on the Armenian side of the line: even so, about half a million Armenians would have to be removed from Azerbaijan, against only 200,000 or so Azeris from homes in Armenia.

The Armenians, like other Christian communities in the Middle East, have suffered in the past from being seen by Moslems as a fifth column of western imperialism, and from their own propensity to put too much faith in the intervention of western powers in their region. What threatens them is not Islam but Turkish and Azerbaijani nationalism, and more especially the pan-Turkist vision which sees the Turkic peoples as potentially a single nation, with the Armenians standing in its way.

FINANCIAL TIMES
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UK drops controversial football scheme

Michael Cassell and **Philip Coggan** review recommendations of the disaster inquiry

CONTROVERSIAL plans to introduce a national membership scheme for football clubs in England and Wales were shelved by the UK Government yesterday. It announced, however, that Football League grounds will be compelled by law to become all-seater stadiums by 1999.

London conceived its enthusiasm for identity cards after the Heysel stadium disaster in 1985, when a charge by Liverpool supporters led to the death of 39 Italian fans. English clubs were subsequently banned from European competition.

When Dutch authorities attempted to introduce identity cards to combat hooliganism, the scheme was wrecked by determined fans. No European country has, or plans to introduce, a membership scheme.

Mr David Waddington, the UK Home Secretary, made the announcement in the House of Commons, following publication of the final report by Lord Justice Taylor into the Hillsborough football tragedy in 1989, when 95 people died at a game in Sheffield, northern England.

The report demolished the case for the identity card schme with Lord Taylor expressing "grave doubts about its feasibility" and "serious misgivings about its likely impact on safety".

To combat hooliganism, he called instead for a variety of measures including the classification of obscene chanting as a criminal offence and the electronic tagging of offenders. He also recommended that ticket touts be outlawed.

The report attacks the "general malaise" surrounding football which Lord Taylor attributes to "old grounds, poor facilities, hooliganism, excessive drinking and poor leadership". Facilities for supporters have been "lamentable" with "the safety and comfort of those on the terraces not regarded as a priority".

In some clubs, the judge says: "It is legitimate to wonder whether the directors are genuinely interested in the welfare of their grass-roots supporters".

Lord Taylor suggests that "grounds should be upgraded. Attitudes should be more welcoming. The aim should be to provide more modern and comfortable accommodation and more consultation with the supporters".

With the Government already facing extensive Tory backbench opposition to the identity card scheme, ministers had little choice but to retreat. Most people involved in football welcomed the abandonment of the scheme but were worried about the cost of introducing all-seater stadiums. Lord Taylor said seating would do more to improve safety and cure problems of behaviour and crowd control than any other single measure.

The Government is unsympathetic about clubs' financial plight. Mr Waddington yesterday repeatedly emphasised the responsibility of the football authorities and clubs in improving the sport's record on safety and hooliganism.

Analysis, Page 10

Lord Justice Taylor, who attacked the "general malaise" surrounding football; Prime Minister Margaret Thatcher inspecting Hillsborough soon after the tragedy.

Panama to clean up money laundering

By Tim Coone in Managua

PANAMA'S banking regulations are to be amended to prevent the use of the country's financial centre as a money-laundering point for proceeds from international drug trafficking.

The announcement was made yesterday by President Guillermo Endara during a visit by Mr Dan Quayle, the US Vice-President, who said he was "very pleased" by the decision.

No further details have been released, but the US Government made clear last month that co-operation in its war on the international drug barons "will be critical" in its future relations with the new Panamanian Government.

The US invaded Panama on December 20 in a successful attempt to oust General Manuel Antonio Noriega, the country's military strongman. Gen Noriega, who took refuge in the papal nunciate, gave himself up and is now in the US facing drug trafficking charges.

President George Bush recently announced a $1bn aid package for Panama to help with its reconstruction following two years of US economic sanctions and the damage caused by the invasion.

The Panamanian business community has until recently resisted all attempts to end its tradition of banking secrecy. While other Caribbean offshore financial centres such as the Cayman Islands and the Bahamas have succumbed to US pressure and signed over the past four years agreements permitting bank secrecy to be waived where money is proven to have come from a criminal activity, Panama has held firm.

Bankers in Panama are concerned that a lifting of banking secrecy laws and the granting of unrestricted access to confidential bank information by US authorities will damage the country as an offshore banking centre.

Mr Eduardo Lasso, the president of Panama's Banking Association, said recently that existing regulations gave sufficient powers to track down drug money launderers.

Panama began to promote itself as an offshore financial centre in 1969. The move on bank secrecy comes at a time when banking business has suffered seriously as result of the 18-month US economic embargo which preceeded last December's US invasion. As a result of the embargo, it is believed that Panama's importance as a drug-money laundering centre declined.

Mr Quayle was asked not to withdraw US troops prematurely from the country as Panama's own security forces are still unable to cope with continuing law and order problems. Mr Quayle said on Saturday that the US invasion force would be withdrawn "within weeks."

Mr Endara told Mr Quayle however that the new Panamanian Public Forces "are still unable to protect lives, property and public order."

US troop levels have already been reduced to 17,000 from their invasion peak of 27,000, but are still some 5,000 above the permanent US garrison level, which is to be maintained until the year 2000.

Mr Quayle left Panama yesterday for Jamaica on the final leg of his diplomatic damage-control mission, having called off several other planned stops in South America following adverse political reaction.

Microwave makers in UK hit by 30% slump

By Philip Rawstorne in London

MANUFACTURERS of microwave ovens in the UK, dominated by Japanese electrical companies, have been hit by a sales slump which industry analysts fear could lead to job losses and possible plant closures.

Sales of microwave ovens – hit by the squeeze on consumer spending and the recent listeria scare – slumped by 30 per cent in value last year and a further substantial fall is forecast for this year.

With prices and profit margins under increasing pressure, some of the six Japanese manufacturers with plants in Britain are cutting production and, where possible, switching staff to other product lines.

Volume sales last year dropped to 1.3m ovens from 1.85m in 1988, according to AGB Lek-Trak, the market researchers. Sales this year are expected to be around 1m.

The market is also shrinking in West Germany, and industry observers consider some factory closures and redundancies are inevitable if there is no rapid improvement in the market.

Japanese manufacturers, however who set up production facilities in Britain in the 1980s to supply the UK and continental Europe, are said to be concerned about the possible damage to their reputations from such moves.

Mr Jim Collis, director-general of the Association of Manufacturers of Domestic Electrical Appliances, said yesterday that sales had already been declining before the controversy late last year over microwave cooking standards.

"With about half of families in the UK now owning a microwave, sales growth had slowed considerably; and since most have been bought in the last five years, there is not yet any substantial replacement market."

Mr Peter Dix, sales and marketing director for Sharp, the UK market leader, said that the company, with others, was trying to rebuild consumer confidence

Market conditions were likely to continue to be difficult, he added, but Sanyo was able to switch staff at its Wrexham factory to other product lines as necessary.

Hitachi, whose ovens passed the government tests, said that normal production was continuing at its South Wales factory, opened two years ago, for both the UK and European markets.

Sanyo, which spent £11m ($18m) with Government support on two factories in Co. Durham some three years ago, is seeking to expand sales in Europe.

Ms Christine Parsons, product manager, said yesterday: "The listeria scare hit the market when it was already down, and it is now pretty tough out there.

"We have started the year fairly conservatively, decreasing output a little. But we think there is still plenty to fight for even if the total market does fall to 1m this year; and we are getting good support from retailers."

Reforms fail to boost Soviet farm output

By John Parker in Moscow

A PICTURE of sluggish Soviet farm output despite ever-larger cash injections emerged yesterday when official statistics were published on one of Mr Mikhail Gorbachev's most important policy areas.

At the same time, an Association of Peasants and Farm Co-operatives has been founded to press for speedier farm reforms, widely believed to have been sabotaged by the state bureaucracy.

Total farm output rose only 1.9 per cent to Rbs475bn ($785bn) last year, though this compares with an even smaller increase (0.7 per cent) in 1988.

Largely because of good weather, the all-important grain crop grew by 16m tonnes to 211m tonnes.

But new plans to boost grain output by paying farmers dollars for exportable surpluses made no impact. The government paid dollars for only 223,000 tonnes – less than 1 per cent of state purchases. "The problem," said one official, "was that the farmers didn't know what they could do with the dollars". Grain imports rose by 1m tonnes to 31m tonnes.

The biggest disappointment came in the return on capital investment. In farming, capital investment rose over 3 per cent last year, which means that, because capital investment in the whole economy is being pruned, it rose to 31 per cent of total investment. But most of the rise in farm output was due, not to more investment, but to higher labour productivity, which grew by 5 per cent.

Tass, the official news agency, remarked: "It looks strange that, along with considerable capital investments in farming, this sector received fewer tractors, other farm machinery and chemical fertilisers than previously".

Dissatisfaction at the pace of reform led last week to the setting-up of the Association of Peasants and Farm Co-operatives headed by Mr Alexei Yemelyanov, vice-chairman of the Supreme Soviet's committee on agriculture.

Mr Yemelyanov said the association's aim was to help "self-management organisations . . . oust the administrative command system". The group denied it would become the basis of a new peasants' party, but has the right to propose changes in the law and conduct foreign trade deals.

Modrow paints grim picture

Continued from Page 1

station would be phased out.

This appeared to confirm reports in the news magazine Der Spiegel this week that the plant had undergone 18 urgent reactor shutdowns in 1988

Experts said one-fifth of the country's water was so polluted it could not be used.

Meanwhile, Mr Erich Honecker, the former leader who was deposed last October and is being held responsible for the crisis, is to be tried in March on charges of high treason.

Mr Honecker was released from hospital yesterday after a cancer operation.

● Mr Modrow arrived in Moscow last night for a 24-hour visit during which he is expected to meet President Gorbachev.

US seeks Gatt investment code

THE UNITED STATES presented its partners in the General Agreement on Tariffs and Trade with a draft agreement banning governments from imposing conditions on foreign investment that inherently restrict or distort international trade, delegate sources said, Reuter reports from Geneva.

The document, tabled at the 105-nation Uruguay Round trade talks, would demand that countries refrain from investment measures that would give preference to domestic products over imports, or restrict imports or exports.

It proposed banning stipulations that foreign companies use a certain level of local parts in their products, or export or sell locally a certain share of their output. Restrictions on production of particular goods or on use of particular technology would also be outlawed by the draft.

It would also forbid requirements that local investors with shares in the equity of a foreign company should be preferred suppliers of local products or be in the same line of business.

The draft accord cited other investment measures that could restrict or distort trade in certain circumstances, but excluded them from the ban provided they were not applied in a discriminatory way and did not adversely affect another country's trade.

Examples the draft gave were requirements that some equity in a foreign enterprise be held by local investors, and restrictions on remittance or access to foreign exchange.

The seven-article draft built on proposals the US tabled last July in the Uruguay Round's negotiating group on trade-related investment measures (Trims).

This is one of several sectors of international commerce in the four-year bargaining not hitherto covered by the General Agreement on Tariffs and Trade.

The negotiations were launched under Gatt auspices in Uruguay in 1986 with the aim of setting world trading patterns for the next century, and are due to conclude in December 1990.

Gatt goes in search of a line, Page 3

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	14	57	Dubrovnik	[illegible]	[illegible]	57	Malta	S	16	61	Rhodes	F	16	61
Algiers	R	14	57	Edinburgh	C	7	45	Manchester	C	9	48	Rio de Ja'o	S	[illegible]	[illegible]
Amsterdam	[illegible]	8	46	Faro	F	15	59	Manila	F	31	88	Rome	R	12	54
Athens	S	15	59	Florence	C	13	55	Melbourne	S	[illegible]	[illegible]	Salzburg	F	5	41
Bahrain	C	14	57	Frankfurt	C	7	45	Mexico City	F	23	73	San Francisco	S	[illegible]	[illegible]
Bangkok	F	[illegible]	91	Funchal	S	16	61	Miami	S	23	73	Seoul	C	3	37
Barcelona	S	[illegible]	55	Geneva	C	3	37	Milan	R	5	41	Singapore	F	[illegible]	[illegible]
Beirut		–	–	Gibraltar	C	14	57	Montreal	F	-2	28	Stockholm	C	3	37
Belfast	C	10	50	Glasgow	R	8	46	Moscow	F	2	35	Strasbourg	S	7	45
Belgrade	R	12	54	Guernsey	C	10	50	Munich	F	5	41	Sydney	C	21	70
Berlin	[illegible]	[illegible]	[illegible]	Helsinki	[illegible]	[illegible]	[illegible]	Nairobi	[illegible]	[illegible]	[illegible]	Tangier	[illegible]	[illegible]	[illegible]
Biarritz	[illegible]	[illegible]	[illegible]	H. Kong	[illegible]	[illegible]	[illegible]	Naples	[illegible]	[illegible]	[illegible]	Tel Aviv	[illegible]	13	55
Bordeaux	[illegible]	[illegible]	[illegible]	Innsbruck	[illegible]	[illegible]	[illegible]	Nassau	[illegible]	[illegible]	[illegible]	Tenerife	[illegible]	14	57
Brussels	[illegible]	[illegible]	[illegible]	Inverness	[illegible]	[illegible]	[illegible]	New Delhi	[illegible]	[illegible]	[illegible]	Tokyo	[illegible]	[illegible]	[illegible]
Budapest	[illegible]	[illegible]	[illegible]	Istanbul	[illegible]	[illegible]	[illegible]	New York	[illegible]	[illegible]	[illegible]	Toronto	[illegible]	[illegible]	[illegible]
B. Aires	[illegible]	[illegible]	[illegible]	Jersey	[illegible]	[illegible]	[illegible]	Nice	[illegible]	[illegible]	[illegible]	Tunis	[illegible]	[illegible]	[illegible]
Cairo	[illegible]	[illegible]	[illegible]	Jo'burg	[illegible]	[illegible]	[illegible]	Oporto	[illegible]	[illegible]	[illegible]	Valencia	[illegible]	[illegible]	[illegible]
Cape Town	[illegible]	[illegible]	[illegible]	Lisbon	[illegible]	[illegible]	[illegible]	Oslo	[illegible]	[illegible]	[illegible]	Venice	[illegible]	[illegible]	[illegible]
Caracas	[illegible]	[illegible]	[illegible]	London	[illegible]	[illegible]	[illegible]	Paris	[illegible]	[illegible]	[illegible]	Vienna	[illegible]	[illegible]	[illegible]
Casablanca	[illegible]	[illegible]	[illegible]	Los Angeles	[illegible]	[illegible]	[illegible]	Peking	[illegible]	[illegible]	[illegible]	Warsaw	[illegible]	[illegible]	[illegible]
Chicago	[illegible]	[illegible]	[illegible]	Luxembourg	[illegible]	[illegible]	[illegible]	Perth	[illegible]	[illegible]	[illegible]	Zurich	[illegible]	[illegible]	[illegible]
Cologne	[illegible]	[illegible]	[illegible]	Madrid	[illegible]	[illegible]	[illegible]	Prague	[illegible]	[illegible]	[illegible]				
Copenhagen	[illegible]	[illegible]	[illegible]	Majorca	[illegible]	[illegible]	[illegible]	Reykjavik	[illegible]	[illegible]	[illegible]				
Corfu	[illegible]	[illegible]	[illegible]												
Dallas	[illegible]	[illegible]	[illegible]												
Dublin	C	11	52	Malaga	[illegible]	[illegible]	[illegible]								

Readings at mid-day yesterday

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Blue Arrow to move to US

Continued from Page 1

ber 1988 to help finance the America's Cup challenge, which is the subject of a Department of Trade and Industry enquiry. Provisions relating to this loan, together with restructuring costs and £2.1m of compensation for former directors, brought group extraordinary items for the year to £49.9m.

The loan contributed to an increase in interest costs from £6.31m to £22.71m, which led to a fall in pre-tax profits from £75.08m to £65.11m for the year to October 31. Mr Fromstein said he intended to reduce debt by the sale of non-Manpower businesses and a restructuring of its loans.

Turnover increased by 17.6 per cent to £1.6bn. Mr Fromstein said trading conditions in the US and UK were generally soft, but no clear recession occured during the period.

Earnings per share were 5.5p (6.8p). Dividend payments are likely to be resumed in this financial year when it is expected that distributable reserves will be restored.

THE LEX COLUMN

The last flight of Blue Arrow

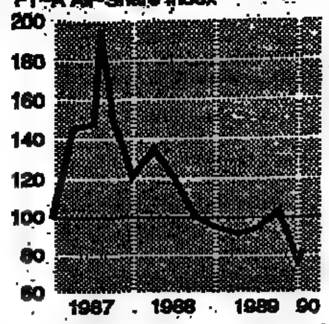
The rebirth of Manpower is proving almost as unorthodox as its earlier demise. In its new guise as a US corporation, the former Blue Arrow is to kick off with a net annual loss of over $1bn, a passed final dividend and the prospect of zero net earnings for the next three years. None of this represents commercial reality, merely a cocktail of US and UK accounting conventions. It is not clear that the result will appeal to Blue Arrow's dwindling band of UK shareholders either way.

It might be thought that the passed dividend is a device to stampede the necessary 75 per cent of shareholders into approving the change of domicile: in the US, different rules mean dividends can be resumed. But this is unduly devious. The £33m write-down which erased distributable reserves was apparently required by the auditors, since the companies written down are to be sold this year. In any case, the company says, the ability to pay dividends will be restored whether it moves house or not, possibly even before the vote.

But with the company so plainly determined to blot the whole bizarre UK episode from its history – City arrests, Canvey Island and all – there seems no reason for UK shareholders to oppose it. At perhaps 15 times forecast earnings and a yield of 2.7 per cent, the shares are not especially attractive on fundamental grounds. Assuming the company drops out of the FT-All Share, the UK indexed funds will doubtless be sellers anyway. And the proposed scheme of arrangement, whereby new Manpower shares will be exchanged for old Blue Arrow ones, should appeal to one shareholder in particular: County NatWest, whose present 10.6 per cent stake may or may not be registered – and thus tradeable – depending on the immensely ticklish question of whether it came by it as investor or as underwriter.

Blue Arrow

Share price relative to the FT–A All–Share Index



Bank provisions

There is an obvious conflict between the Bank of England's role in ensuring that its flock is being prudently supervised and the Inland Revenue's job of making sure the banks shoulder their share of the UK tax burden. So it must be presumed that the Bank of England's delay in issuing its new matrix for calculating Third World debt provisions means there is finally some consensus between the two arms of Government on the treatment of a rather tricky issue.

The clearing banks begin reporting their 1989 results in less than a month's time. If the matter had been left unresolved for much longer they might fairly have claimed that they really were being victimised. The technical changes to the matrix – particularly the smoothing of provisions and the fact that they may be required even when there is no actual default – are sensible enough. There must be a suspicion that the Bank of England could have been even tougher, but did not want to highlight the weaknesses of such as Midland and Standard Chartered.

Nevertheless, there is no obvious reason why the publication of the new matrix would have prevented Lloyds Bank, at least, from posting sharply higher provision levels when it did. Stock market perceptions can be just as powerful as tax considerations.

Poison pills

It is doubtful that Dresdner Bank's managers are quaking in their boots at a Frankfurt court's welcome decision to make Dresdner dig up the anti-takeover tank-trap it built into its articles last spring. In typically German fashion, Dresdner's right flank is protected by a friendly Allianz, with at least 15 per cent of its shares; to look after its left, there are five trade unionists on Dresdner's supervisory board, who would have something to say if someone took a run at one of West Germany's largest banks. Add to that the fact that at DM418m, Dresdner's share price is 40 per cent higher than it was in April 1989, when it proposed its scheme for limiting unwelcome shareholders to voting a maximum of 10 per cent of its stock.

However, as yesterday's DM5 rise in Dresdner's shares suggested, the court's decision is still good news for Dresdner's shareholders and German equity investors generally. We may never see a fully fledged Anglo-American-style free market for corporate control in West Germany. But as last year's raid by the Flick brothers on Feldmühle-Nobel showed, the trend is towards a gradual opening up. And bear in mind that three years ago, no-one thought it feasible to take over Belgium's Société Générale.

Mrs Fields

When all it takes is a 60-outlet licensing deal with Marriott Corporation to get Mrs Fields's shares up 35 per cent in a day, perhaps investor sentiment is genuinely swinging in its favour. If so, it could be a bit overdone. The nice things about the tie-up announced yesterday are that it costs Mrs Fields nothing and that the royalties look pretty safe; and the evidence that the Fields brand-name is strong enough in the US for Marriott to think it worth having in its airport and roadside stores, after successful trials in Maryland and Florida. But the real tests for Mrs Fields are whether it has broken even or better for 1989, after 1988's $18.5m pre-tax loss, and whether it can pay a dividend this June; and whether or not its new bakery stores are making money. In the meantime, the authorities should find out just why its share price was so strong last Friday.

Currencies

When it comes to assessing the impact of Budgets on exchange rates in 1990, it is a fair bet that Mr Major's first effort will be far more important for sterling than President Bush's for the dollar. It would be wrong to blame yesterday's weakness in the US currency on any concern about the numbers coming out of Washington; the US budget process is a characteristic exercise in fantasy. However, yesterday's strength in sterling, in the face of reasonably heavy selling, is a bullish sign. The absence of bad news combined with talk of a tough budget could push sterling higher, especially since the new Chancellor seems less concerned about fixed exchange rates than his predecessor.

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday January 30 1990

INSIDE

Business for sale: offers considered

Leading UK biotechnology group Celltech is up for sale — and may have a hard time finding a buyer. Sales of biotech-derived drugs last year came to about $1bn, less than 1 per cent of world medicines output, and only a fraction of the amount projected. Large groups have also been establishing their own research and even BASF subsidiary Knoll, which has not ruled out making an offer for Celltech, admits that "the decision would have been much easier five years ago, before we built up our own expertise." That leaves the field clear for the Japanese — should they want to take the plunge. Page 27

Shunning the limelight

Mr Erivan Haub, owner of West German food retailing group Tengelmann, emerges from self-imposed obscurity once a year to comment on his company's performance. His latest message was that, despite sales of DM37.2bn in the 1988-89 year, low margins and declining profitability from its 3,501 stores at home meant Tengelmann would become increasingly international. In his first interview for a decade, Mr Haub tells Haig Simonian of his plans to gain eventual control of isosceles, in which Tengelmann's US partner A&P holds a 20 per cent stake. Page 20

Indian battle lines are drawn

The Ambani family of India is fighting to retain control of its Reliance engineering group in the face of government and court challenges over its 1988 takeover of Larsen & Toubro. "The Ambanis acquired L&T through collusion and manipulation," Mr Madhu Dandevate, Finance Minister, alleged in an interview. However, the Ambanis have gained a reputation for feistiness: the battle could be a long one. Page 21

A family at war

France's most distinguished publishing family has been feuding for so long that it is not surprising that the world's leading publishers are gathering hungrily in case the battle ends up bringing the company on to the market. Françoise Gallimard, sister of Antoine and Christian who control the company of the same name, announced last week that she had had enough and was willing to sell out. George Graham reports. Page 22

Waste not, want not

In an effort to shed the image of being wasteful, inefficient and non-profit oriented, the Nigerian National Petroleum Corporation put 10 financially autonomous subsidiary companies into commercial operation last year. It also sold 20 per cent of an 80 per cent interest it held in a joint venture with Shell. This went some way to relieving financial strains. But if the Nigerian oil industry is not to stagnate, NNPC must raise considerable sums for investment in both exploration and downstream projects, writes Nicholas Woodsworth. Page 32

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
BASF	298.3	+	[illegible]
Bayer	305.5	+	3
Hapag Lyod	450	+	15
Hoechst	295.3	+	5.4
Metallgesellschaft	647.5	+	18.5
Siemens	738.2	+	11.7
NEW YORK ($)			
Rises			
Motorola	56⅝	+	1⅛
Pfizer	68½	+	¾
Falls			
Di Giorgio	26¼	—	2⅛
Hilton Hotels	88	—	4⅜
L.A. Gear	24⅝	—	2½
UAL	137¼	—	11¼
PARIS (FFr)			
Rises			
BP France	[illegible]	+	12.4
Elf Gabon	1180	+	79
Legris Ind	534	+	30.6
Raffinage Franc	195.2	+	8.7
Sogerap	483.9	+	25.2
Falls			
Bail Equipment	336	—	9.7
TOKYO (Yen)			
Rises			
Kanda Tsushin	2080	+	210
Kaiyo	5700	+	510
Kuribayashi	2850	+	340
Namco	2080	+	220
Nissan Construction	1190	+	120
Yonasi Funashoku	1180	+	110
LONDON (Pence)			
Rises			
BAA	397	+	18
Brit Telecom	296	+	6
Cadbury Schweppes	382	+	10
Fields (MW)	30	+	10
Laing Prop	580	+	19
Lloyds	291	+	8
Reckitt & Coln	1239	+	26
Royal Bk Scot	208	+	5½
Shell	468	+	7
Thorn EMI	779	+	15
Water Pack Uts	£1623	+	23
Wellcome	722	+	14
Wilding Off	92	+	14
Falls			
Coloroll	23½	—	2
Menzies	316	—	17
Mast Org	796	—	13
TIG	96	—	24
Unigate	330	—	8

Ferranti sues auditors for £400m

By Hugo Dixon and Charles Leadbeater in London

FERRANTI International will be seeking damages of £400m ($660m) in its negligence claim against Peat Marwick McLintock, the former auditors of International Signal & Control.

The UK defence group issued a writ against Peat Marwick last week alleging that it was negligent in failing to spot a large-scale fraud at ISC in the five years before Ferranti acquired it. In the writ, the company did not put a figure on the damages it was claiming.

However, a Ferranti executive said yesterday that the group would be looking for £400m to cover the amount lost in the fraud plus accrued interest.

It is understood the main thrust of Ferranti's case will rest of whether the auditors took reasonable steps to check inventory and work in progress claimed by ISC. The executive also said that in the five years before Ferranti acquired ISC in 1987, ISC's actual cumulative profits were zero. ISC's accounts, however, showed continually rising pre-tax profits, which reached £56.6m in the year to March 30, 1987.

Baring Brothers, Ferranti's adviser, is confident it will be able to persuade the company's banks that the proposed £187m rights issue, initially due to be approved this Monday, should be abandoned. Ferranti needs the agreement of the 29 international banks in the syndicate, which is led by National Westminster, by Friday afternoon.

Under the revised banking agreement signed last week, Ferranti will make a repayment of £225m on April 30, a further £75m on June 30 and a final £50m on September 17. Instead of these repayments being funded by the proceeds of the rights issue and asset disposals, Barings wants the banks to agree that they will come purely from asset disposals, principally last week's agreement that Ferranti would sell its defence systems division to Britain's General Electric Company for £310m.

Ferranti would then seek to reduce its banking facilities.

Meanwhile it emerged that Sir Derek Alun Jones, Ferranti's chairman and chief executive, offered to sell the entire group to British Aerospace at a price of 75p a share, or £560m, the day after the alleged fraud surfaced last September.

Ferranti executives believe BAe decided not to make a move because payment problems with the £15bn Al-Yamamah arms deal with Saudi Arabia, on which BAe is the main contractor, threatened to create financial pressures on the group. The disruption has since been ironed out.

While Ferranti is negotiating with three companies over the sale for about $100m of Marquardt, its Californian weapons subsidiary, which also has a valuable property portfolio, it does not plan to sell other assets.

However, it is considering the possibility of joint ventures or collaboration on projects with some of the companies that had previously considered buying it. For example, it sees attractions in collaborating with either Thomson or Westinghouse of the US in the sonar market. It also thinks there could be joint projects with Dowty-Sema, the UK defence joint venture group, in naval command and control systems.

Time to fly on a wing and two prayers

Roderick Oram and **Paul Abrahams** on the downturn threatening US and European airlines

Mr Bob Crandall, chairman of American Airlines, likes to describe his industry's plight this way: a luxury liner is crossing the Atlantic during the war with a magician and a talking parrot as entertainers. After each trick, the parrot tells the audience the secret. Sadly, during a show, the ship is torpedoed and sinks. After four days on a raft, the parrot breaks its silence, saying to the magician, "Okay, I give up. What did you do with the ship?"

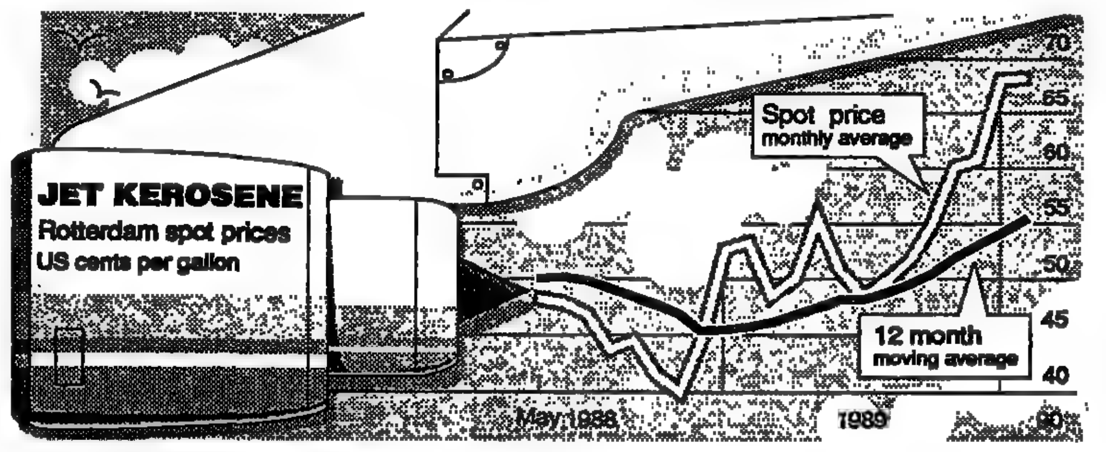
US airlines, long at war with each other, had cruised onwards and upwards over the past few years thanks to rapidly growing traffic and clever management. Suddenly, in the middle of last year, all hell broke loose.

Traffic stopped growing, summer promotions such as free tickets for children got out of hand and costs accelerated. As a result, the industry's third-quarter operating profits dropped 50 per cent from the year-earlier levels. Pan American and Trans World, two of the weakest US carriers, suffered operating losses in the period that is normally their strongest season and the one that carries them through the rest of the year.

However, the real turmoil was unleashed in September when fuel prices began to soar — by the last week of the year the airlines were paying about 96 cents a gallon, up from 58 cents in week one. The average cost of fuel for the year was some 30 per cent higher than in 1988.

With fuel accounting for roughly 20 per cent of a carrier's operating costs, the surge devastated fourth-quarter earnings. Industry operating profits for the year were down from $2.9bn to around $1.8bn.

The US carriers are still working out what hit them; European airlines are in a similar jam. Analysts believe worse is to come. Even if the US avoids a recession this year, both business and pleasure traffic will at best be flat. Moreover, the leading carriers are planning to increase their capacity by about 10 per cent this year, the biggest rise since the late 1970s, with the addition of some 250 new aircraft to the US fleet.



Competition looks set to become even more vicious, particularly in the few markets where one carrier fails to dominate, such as on the West Coast corridor.

Many analysts believe that, nationwide, fare yields could slip a few percentage points, while operating expenses are likely to rise some 6 or 7 per cent. Thus, the industry's operating profits are likely to fall to around $1.2bn this year. With interest expenses running at about $1.4bn, the industry will be in the red before depreciation and other items are taken into account. A US recession would make things even tougher.

Bucking these trends will be difficult. Airlines are trying to add a $12 fuel charge to round-trip tickets but are running into a lot of opposition from consumers groups which accuse them of price hiking. Making any price increase stick looks tricky, given the growing carrying capacity.

Against this gloomy outlook, industry analysts are forecasting more disturbing events this year. Pan Am, for example, is closer than ever to collapse, its main hopes for survival lying in a takeover by — or at least a big financial injection from — a foreign carrier eager to get at its domestic routes.

Either action would require US regulators to ease their curbs on foreign carriers. Some analysts believe such far-reaching policy changes are coming. Mr Tim Pettee of Merrill Lynch suggests that the first foreign airline might be allowed to serve a few domestic US routes this year.

But even if the economic picture gets bleaker, the strongest airlines are likely to try to fly through the downturn. Anxious to hang on to market share and to cover their high fixed costs, they will try all sorts of ways to build their revenues rather than cut services. Expensive new frequent-flier promotions have already broken out. Passengers should have a field day, but it will continue to be a miserable life for the carriers, both in America and Europe.

Europeans carriers are also bracing themselves for lower profits. This is particularly true for those dependent upon transatlantic routes, where competition has become increasingly acute as the airlines increase capacity and battle for a share of a slowing market.

Most European airlines are blaming increases on the cost of fuel, rather than on falls in passenger levels, for declining profits. However, as operating costs rise, competition in the European market looks set to increase. Airlines are investing heavily in new capacity.

But increases in capacity are occurring within a market expected to grow by only about 5 per cent this year.

The battle for market share will become increasingly intense as the industry faces liberalisation during the early 1990s. On the few routes that have been liberalised, competition has forced fares down — affecting margins — while passenger traffic has increased. Since 1987, when British Midland started flying to Amsterdam from London, fares on that route have fallen 30 per cent, while traffic has grown 30 per cent.

Falling airline profits on both sides of the Atlantic could affect both manufacturers and aircraft-leasing companies. Although some of the larger carriers will be anxious to update their fleets — modern jets are less expensive to operate than older models — there is a risk that others may decide not to take up orders and options and may terminate leases.

If airlines do the latter and the price of second-hand aircraft begins to fall, the leasing companies should be protected by residual-value insurance policies.

However, the aircraft manufacturers may be more vulnerable to a downturn in the market. Some have been highly imaginative in arranging aircraft financing in an attempt to win market share. They have leased directly to the airlines aircraft that can be returned to the manufacturer at short notice.

In some cases, manufacturers have also guaranteed the price of second-hand aircraft. If the supply of aircraft begins to outstrip demand, manufacturers may find themselves paying out deficiency guarantees.

The industry has expected a short-term slowdown in demand, but believes that in the long run passenger volumes will grow rapidly well into the next century.

The question it is now asking is how long and how deep the downturn will be.

BAT 'put forward Axa joint venture idea last autumn'

By Nikki Tait in Chicago

BAT INDUSTRIES, the UK tobacco-based conglomerate which has been under bid threat from Sir James Goldsmith's Hoylake consortium, initiated the idea of a joint venture with Axa-Midi Assurances last autumn and instructed its adviser, S. G. Warburg, to assess the French company.

Axa, France's third-largest insurance company, has been lined up by Hoylake as the potential buyer of Farmers Group, BAT's US insurance subsidiary, should the consortium make a successful offer for the conglomerate. Axa is now using the Warburg conclusions as part *of its case that it would be* a suitable owner of Farmers.

According to testimony by Axa's lawyers in Illinois insurance regulatory hearings, the idea of a joint venture with Axa was being mooted within BAT in early November. This was well ahead of an "advisers' meeting" on November 24, details of which were leaked to the Goldsmith camp and subsequently made public.

According to documents that have emerged in Illinois, Mr David Albini, a BAT finance director, sent the suggestion to Mr Brian Garraway, BAT's deputy chairman, on November 9.

At the meeting — which BAT has dismissed as a brainstorming session on which no further action was taken — the joint venture idea was again raised. A week later, Warburg presented Mr Garraway and Mr Albini with a financial assessment of the French group.

The Axa lawyers say that this "praised Axa's strong domestic base, its aggressive management and concluded that if Axa were to withdraw or step back from its arrangement with Hoylake there could be some scope for a merging of non-domestic interests."

This, they suggest, referred to interests owned by Axa and by Eagle Star, BAT's UK insurance subsidiary.

In London, BAT confirmed that Warburg was asked to do a further study but said that the conclusions were less "upbeat" than the impression given in Illinois.

BAT added that it was decided the Axa idea "wouldn't be practical at the moment" and was not being pursued further.

However, Axa is using the Warburg report to press its Farmers case. BAT maintains there is a distinction between being a partner in a joint venture and being fit to own a large US insurance business.

De Benedetti makes ownership of titles price of Mondadori exit

By John Wyles in Rome

MR CARLO De Benedetti is prepared to negotiate his exit from the battle with Mr Silvio Berlusconi for control of Mondadori, Italy's largest publishing group, providing he and his allies can retain ownership of the group's main newspaper and magazine titles.

This is understood to be the basis of Mr De Benedetti's response to the attempted mediation now being mounted by Mr Enrico Cuccia, the honorary president of Mediobanca, Italy's most powerful merchant bank.

Mr Cuccia has proposed a negotiation around a division of Mondadori's assets, given the impossibility of Messrs De Benedetti and Berlusconi co-existing as leading shareholders in Mondadori.

Mr Berlusconi, who took over as president of Mondadori on Thursday, is expected to give Mr Cuccia his answer today. He was publicly evasive last week about his readiness to discuss a division of assets, but he knows the alternative is a long period of uncertainty as he and Mr De Benedetti slug out in the courts the legality of the various share-sale agreements and board decisions that have yielded his first-round victory.

Mr De Benedetti is thought to have tied up around L2,000bn ($1.6bn) in Mondadori's ordinary and privileged stock and, as a result, owns 55 per cent of the group's total capital. However, his minority position in the Amef holding company, which controls 50.3 per cent of Mondadori, has cost him control of the group to the extent that, following last Thursday's shareholders' meeting, he has only two out of 15 directors.

His terms for a settlement would seek to undo the merger agreed last April with the L'Espresso group which took La Repubblica, Italy's joint top-selling newspaper, and L'Espresso, the country's second most important weekly news magazine, into the Mondadori fold. CIR, Mr De Benedetti's holding company, had been the second-largest shareholder in the L'Espresso group before the merger.

But the Italian financier's ambition also extends to Panorama, Italy's largest-circulation weekly magazine. His aides say that it would be quite wrong to leave this title under Mr Berlusconi's control to sit alongside his three television networks and dedicated to serving political interests. Furthermore, any agreement would have to provide for the placing, at an acceptable price, of CIR's Mondadori holdings.

Mr Berlusconi may be attracted to the Mediobanca proposal — although not to the idea of surrendering Panorama — because he cannot be sure of being able to hang on to its titles. The Government and parliament are under growing pressure to pass restrictive legislation on media concentration and Mr Berlusconi is heading for a confrontation with at least two editors.

Apple reorganises management

By Louise Kehoe in San Francisco

A SENIOR management shake-up is under way at Apple Computer, where Mr Allan Z. Loren, president of the company's troubled US sales and marketing unit, resigned yesterday. His resignation follows disappointing results at the company, with lower-than-expected domestic sales over the Christmas selling season.

Mr Michael Spindler, who has been president of Apple's European operations for the past two years and is credited with having built Apple's European operations, is to become executive vice president and chief operating officer of the entire company, Apple said.

Analysts said the management changes highlighted the company's need to regain lost US market share by more quickly introducing new low- and high-end versions of its Macintosh computer.

Apple's US division had flat sales in the first fiscal quarter which ended in December, while international sales grew 19 per cent.

Apple stressed that Mr Loren's resignation "was a personal decision." However, the executive, who had been appointed in 1987 with the charter of "introducing discipline" into Apple's US operations, was increasingly unpopular at the company and is reported to have clashed with other Apple managers on several occasions.

Sluggish domestic sales led to infighting in the company's US sales and marketing division, according to analysts.

Apple said that Apple USA, Apple Pacific, Apple Europe, Worldwide Product Marketing and Worldwide Manufacturing would report to Mr Spindler, who would report directly to Mr John Sculley, chairman and chief executive officer.

The company said that Mr Spindler would be acting president of Apple USA until a replacement for Loren was found.

Apple's share price rose $¼ to $33¼ in early trading.

New chief named as Kelt Energy reports losses of £1.05m

By Clare Pearson in London

MR JOCK Green-Armytage, who made his name as managing director of Guthrie Corporation prior to its takeover by fellow industrial group BBA, has become chief executive and joint chairman of Kelt Energy, the independent UK oil and gas company.

Kelt announced his appointment yesterday at the same time as it unveiled a £1.05m ($1.74m) pre-tax loss for the six months to end-September 1989, compared with $1.74m in the same period last year, against a profit of £467,000. This was after a substantially bigger interest payable figure of £3.35m.

Some £13.21m of interest costs were capitalised. The costs reflect Kelt's ambitious, highly-leveraged takeover of fellow oil independent Carless a year ago.

Mr Hubert Perrodo, Kelt's chairman, said: "I hope the appointment of Mr Green-Armytage will improve Kelt's communications with the City."

Mr Green-Armytage presided over Guthrie's reorganisation and return to the London stock market after the Malaysian government investment agency gained control of it in 1981. The Malaysian agency eventually sold its shares to BBA in 1988.

Prior to his role at Guthrie, Mr Green-Armytage was a corporate finance director at NM Rothschild, where he remains a non-executive director.

Mr Perrodo said he also expected to announce soon the appointment of a finance director. Mr Alisdair Locke, who held the post of deputy chairman and fulfilled this role, left the company in December.

"The increase in our production, the oil price and the restructuring in management gives me every confidence for the future," he said.

Mr Perrodo said the company's borrowings fell from about £260m immediately following the acquisition of Carless to about £170m at the end of the half-year. This was after the disposal of the downstream operations of Carless.

The balance of the debt was converted from sterling to dollars last October. Mr Perrodo said Kelt was negotiating with the lenders, American Express Bank, about a rescheduling. Repayment is currently due in two instalments, in April and June this year.

He said he was confident the full oil potential of the Wytch Farm onshore oil field would be achieved by the end of the second quarter of 1990.

Included in the capitalised interest figure was some £5.45m attributable to investment in the Carless downstream businesses. Turnover during the period was £11.77m, compared with last year's £2.81m. The loss per share was 0.4p (against earnings of 0.06p).

Why West German grocer eyes UK profit margins

Haig Simonian meets Erivan Haub, Tengelmann's reclusive, security-conscious millionaire owner

Mr Erivan Haub, reputedly the richest man in West Germany, takes security seriously. Once a year – most recently last month in a secluded retreat better suited to debriefing an Eastern bloc agent than meeting the press – he makes his appearance before the cameras.

Mr Haub's message is brief. Consolidated sales at Tengelmann, the food retailing group his family founded in 1867, rose to DM37.2bn ($22m) in the 1988-89 year ended June 30, making it one of the world's biggest stores groups. Profits remain taboo, but, as sole owner, Mr Haub's is not believed to be going hungry.

Keeping a low profile is commonplace among top German retailers, a number of which are still privately owned. Bashfulness has been compounded by crime; the 1971 kidnap of Mr Theo Albrecht, one of the two brothers behind Aldi, the huge discount chain, turned press-shyness into an obsession.

Mr Haub has not given an interview for the past decade. Meanwhile Mr Otto Beisheim, who owns Metro, the cash and carry chain best known for its Kaufhof department stores, keeps his distance from kidnappers and journalists alike in his Swiss redoubt.

Despite his stress on security, Mr Haub, who now lives mainly in the US, may have to become more public. Stuck with low margins and declining profitability from its 3,501 stores at home, Tengelmann is becoming increasingly international.

Foreign sales, which amounted to DM21.6bn last year, already account for more than half its turnover. Much of that came from A&P, the ailing US supermarkets group in which Tengelmann bought its first stake in 1979, and which has turned into a major money-spinner since.

Tengelmann's foreign activities have grown fast. In Holland and Austria it already owns the Hermans and Löwa supermarket chains respectively. Last year it took minority stakes in Superal, an Italian supermarkets group and, in its first major push into Eastern Europe, Skala Co op of Hungary. And it is already dipping its toes in France.

But it was last summer's £2bn ($3.3bn) contested bid for Gateway, the UK food retailer, which pushed the German company furthest into the limelight as far as the City of London was concerned. Despite Mr Haub's ultimate failure in the bid, which was conducted through A&P rather than Tengelmann itself, his interest in the UK has not diminished.

The reasons are simple. While German food retailers consider themselves lucky to make an after-tax return of 1 per cent on their sales, net earnings in the UK are around 6 to 8 per cent. "That's an unbelievable size compared with Germany," says Mr Haub.

"British shoppers are willing to pay for quality and service," he notes. Thus rather than selling its Gateway stake, A&P bucked City practice and instead took 20 per cent of Isosceles' shares and 40 per cent of its voting rights. Mr Haub now claims to be pleased the Gateway bid failed. The pound has fallen heavily against the D-Mark, UK interest rates have soared, while the country's economic climate has soured. Moreover, A&P managed to swap its Gateway shares into Isosceles stock at a "very fair price," he says.

So the plan is to hang on in the hope of eventually gaining control of Isosceles, the UK consortium which bought out Gateway. "We must wait to see what comes of this participation. We think one day we may be able to reach more favourable conditions," says Mr Haub.

"This strategic breakthrough in England is worth it." For even after the £700m sale of Gateway's hypermarkets – the most attractive part of the package – to Asda, Isosceles remains alluring.

While additional small disposals will further reduce Isosceles's overall borrowing, its remaining stores, which include 10,000-13,000 sq feet units, "will be a very interesting nucleus," for a future UK business, according to Mr Haub.

Moreover, financing has been relatively cheap. The cost of the Isosceles stake is just $125m in A&P's books, while the interest charge is hardly crippling on a quarterly basis. And he is proud that the total fees A&P paid to its advisers were considerably below Isosceles's huge bill. "We had a more profitable arrangement."

Breaking into higher-margin

Erivan Haub: making very good money in the US

markets like the UK will be essential if Tengelmann is to reverse the decline in its domestic earnings. A leaked document shows just how dramatic the drop has been. From DM224m in 1983-84, operating profits are believed to have fallen to DM175m in 1988-89 after a brief revival in the two previous years.

The revelation of such closely-guarded figures has caused deep embarrassment at Tengelmann. But, despite objections to some of the details, which were taken "out of context" according to Mr Haub, the company concedes the figures are not far off beam.

Mr Haub admits that the development of profits is "no longer as good as it has been in other years" – a trend he expects to continue. But he attributes the volatility in earnings as much to investment policy as to the increasingly competitive German marketplace.

"If we didn't open any new stores, our profits would shoot up," he says. Tengelmann plans to keep the investment tap full on. Last year it poured some DM351m into its domestic stores – almost 30 per cent up on the previous year and well ahead of depreciation.

The company has embarked on a heavy restructuring programme, closing smaller units in favour of larger stores. Last year 500 new shops were opened, against 300 closures, resulting in a 6.6 per cent rise in its domestic sales area.

Acquisitions will remain the second source of domestic growth. Last year it purchased two chains in the Stuttgart and Cologne regions.

But both forms of domestic expansion face hefty constraints. German zoning laws impose stringent limits on new supermarkets, particularly the out-of-town hypermarkets which most retailers want to build. The law now restricts new developments to 1,000 square metres – and just 600 square metres in Bavaria.

Meanwhile, takeovers are limited by very tough cartel rules. Tengelmann's planned acquisition of Gottlieb, a Freiburg-based chain with sales of DM600m, collapsed after 18 months of talks when the owners refused to lower the price to reflect the disposals Tengelmann would have had to make in order to meet cartel requirements.

The upshot is to sharpen the focus abroad. The minority share in Superal, which had sales of about DM660m last year, is probably a first step to a bigger presence in northern Italy. "Though only a minority stake at present we have the happy hope we will reach a majority," says Mr Haub.

And the 21 per cent holding in Skala Co op, which had a turnover of some DM1bn last year, could lead to bigger things in Eastern Europe too. "We have a healthy chance to become increasingly active in the Eastern bloc in the next decade," both as a buyer and a seller, he says.

Meanwhile, Tengelmann's existing foreign operations are ploughing back their profits to expand. Both Hermans and Löwa are not paying dividends to their parent company in favour of reinvesting their earnings. Likewise at A&P, as far as Tengelmann's 52.5 per cent stake is concerned.

Last year the US group bought a sizeable Detroit supermarket chain. Further acquisitions appear inevitable on the back of its booming profitability. Net profits in the first half of this year leaped 20 per cent to $81m, or $2.12 a share, while turnover rose by 13 per cent to $6.03bn.

"We make very good money in the US. More than we could or should expect," says Mr Haub. Given the outlook in Germany, it is a lesson he would like to repeat elsewhere.

HBG in negotiations for private electrical installer

HOLLANDSCHE Beton Groep (HBG), the Dutch construction and civil engineering company, is negotiating to acquire all the shares of Ergon Holding, a privately held UK installer of electrical equipment, AP-DJ reports.

HBG said the move would allow it to enter the installation market in the Netherlands. Currently, HBG subcontracts electrical installation work on its Dutch projects.

The amount of money involved in the transaction was not disclosed.

Ergon Holdings employs 500 people and had revenues of approximately £24m in 1989. The company has offices in Zoeterwoude, Rotterdam, Amsterdam, Almere and Assen. In 1988, the latest year for which financial results are available, HBG had revenues of Fl 3.02bn ($1.58bn).

The acquisition falls in line with HBG's stated strategy of expanding aggressively into European markets prior to the planned integration of the European Community by the end of 1992.

ABC Bank returns to the black

By Karen Fossli in Oslo

ABC BANK, Norway's largest savings bank, said yesterday preliminary figures for 1989 show it returned to the black with net profits estimated at NKr240m ($36.75m) against a loss of NKr670m in 1988.

Better performance was helped by a NKr410m cut to NKr560m in losses on loans and guarantees, a radical reorganisation and cost-cutting.

The bank's operating profit, before losses on loans and guarantees, more than doubled to NKr805m from NKr350m in 1988.

Mr Jan Risoer, an ABC executive, explained that, in all, the bank reduced staff by 550 to 2,005 while achieving a 20 per cent increase in productivity. In addition, operational costs were cut by NKr110m.

Total assets were reduced by NKr6bn to NKr42bn, primarily in bond holdings. At year-end the bank had capital of NKr2.6bn.

Mr Risoer noted that work was well under way for a planned merger between ABC and five other smaller Norwegian savings banks. This would allow a goal of completion by October to be met.

ABC, which is called the Union Bank of Norway in international operations, may see a name change after completion of the merger.

The new bank will have NKr90bn in assets, and will serve 1m customers. Internationally it will be represented in New York, Stockholm, Copenhagen, Helsinki, Luxembourg and London. Mr Kjell Kran, managing director of ABC, will retain this position in the new bank.

Dresdner Bank bid defence blow

A WEST German district court yesterday struck down an anti-takeover measure introduced by Dresdner Bank, the big German banking group, last year, AP-DJ reports.

The state court in Frankfurt said it has accepted the appeal of a small shareholder and declared Dresdner Bank's so-called conditional voting-right limitation invalid.

It was the first successful legal challenge against voting-right limitations, a popular but controversial takeover defence instrument used by West German companies.

Ascom's sales jump 10%

ASCOM HOLDING, the Swiss telecommunications group, said consolidated group sales in 1989 jumped 10 per cent to SFr2.64bn ($1.76bn) from SFr2.4bn in the previous year, AP-DJ reports.

The company, in a letter to shareholders, also said net profit in 1989 should match the previous year's SFr49.2m, "despite significant restructuring costs."

Foreign sales, meanwhile, increased as a percentage of total group sales to 38 per cent in 1989 from 30 per cent the previous year, and for the first time reached SFr1bn, the company said. The bulk of the rise in group sales in 1989 could be attributed to internal growth, the company added.

Ascom also expects sales in 1990 to expand at a rate of around 10 per cent.

Group orders surged 20 per cent in 1989 to SFr2.88bn from SFr2.40bn. The company said all its divisions experienced increases in orders.

Ascom in December announced that it had restructured its businesses into five divisions, with the aim of making the company's operations more market-oriented and speeding up decision-making.

INTERNATIONAL COMPANIES AND FINANCE

A tough climb up India's corporate ladder

Gita Piramal surveys attempts by the Ambanis to retain control of Larsen & Toubro

THE AMBANIS, whose Reliance group became India's third biggest business house after the October 1988 takeover of Larsen & Toubro (L&T), are fighting to retain their control over this premier engineering company in the face of government and court challenges.

Mr Madhu Dandavate, Finance Minister, has declared that according to the newly elected National Front government the takeover should be reversed and that the company – which has annual sales of Rs10.85bn ($639.88m) – should be run not by the Ambanis but by a group of professional managers.

"The Ambanis acquired L&T through collusion and manipulation," the minister alleged in an interview. "Prima facie analysis indicates that there was an effort to corner L&T shares in collusion with the financial institutions," he added. "This cannot be allowed. L&T must revert to becoming an independent, professionally run company."

Reliance, headed by Mr Dhirubhai Ambani, has offered to return a 7 per cent block of shares in L&T which is at the centre of the dispute, but this represents only a portion of its total holding which, it says, is more than 25 per cent.

A Reliance official went on to argue that "even after the takeover L&T remains a professionally run company. The Ambanis are not involved in day-to-day management. L&T's managing director, Mr U.V. Rao, is a highly qualified professional manager with 28 years of experience."

The managing director's position has, however, become another point of controversy.

During the past few months, L&T has acquired not only a managing director and chief executive, but also a joint managing director and even a managing director and president. The reshuffling of designations is widely perceived as an attempt by the Ambanis to soothe ruffled executive feathers within L&T while making management appointments from the ranks of their own supporters.

The reshuffling is perceived as an attempt to soothe ruffled executive feathers at L&T

One possibility is that the financial institutions may ask for greater representation on the 19-member L&T board and then use their presence to oust the Ambanis. Currently, three directors represent Unit Trust of India, the Life Insurance Corporation and the General Insurance Corporation. Collectively the three institutions hold 34 per cent of L&T's equity.

Dhirubhai Ambani: offered to return a block of shares

There are four directors from the Reliance group on the L&T board: three members of the Ambani family and Mr M.L. Bhakta, a chartered accountant. On January 2 the Ambanis succeeded in persuading Mr Henning Holck-Larsen, aged 82, one of the founders of the company, to become chairman emeritus. Mr Holck-Larsen is respected within the Indian business community, and his tacit endorsement of the Ambanis has strengthened their position.

At the same time, legal hurdles loom for the Ambanis. A writ petition filed in the Supreme Court of India by a L&T shareholder and a Delhi advocate challenging several aspects of a Rs8.2bn bond issue launched last September is due to come up for hearing after several adjournments.

The case, which is attracting heavy publicity, is likely to drag on for months if not years.

Mr Mahesh Jethmalani, counsel for the petitioners, has made an offer to settle the affair by saying that if the Ambanis "face the shareholders by holding an extraordinary general meeting, and if the shareholders ratify the Ambanis' presence on the L&T board, we are quite willing to withdraw the case."

The case, which is attracting heavy publicity, is likely to drag on for months if not years

The government is examining its own options. According to the minister, "Until the supreme court passes a judgement, we cannot take legal measures. But we are not prevented from taking certain administrative actions."

In one such action, the Finance Ministry has already directed Mr Premjit Singh, chairman of the local Bank of Baroda, to take leave from his job. Bank of Baroda, through its BOB Fiscal Services subsidiary, sold the Ambanis the disputed 7 per cent block of shares, which had been accumulated through purchases from several financial institutions.

Under Indian company law, institutions cannot place shares directly with the private sector but must sell them through the market.

Government officials have been quick to pick up the new political signals. The Controller of Capital Issues (CCI) has written to the Ambanis asking for details on how funds raised from the Indian capital market by the Reliance group have been used. Under the former Congress administration, the CCI had given a speedy clearance to L&T's controversial bond issue.

Feisty fighters, the Ambanis have been in many tough spots in their climb up India's corporate ladder. The battle for L&T is far from resolved, but one early casualty has been the L&T share price. From more than Rs100 it has dropped to Rs70 during the preliminary skirmishes.

Koor's creditors in Jerusalem for talks aimed at settlement

By Hugh Carnegy in Jerusalem

THEY FAILED in New York, they failed in London and they failed in Tel Aviv.

Now Mr Shimon Peres, the Israeli Finance Minister, is hoping that in Jerusalem, within a mile or so of the Wailing Wall and the city's other holy places, the domestic and foreign creditors of Koor Industries will see the light and agree on how to solve the group's billion-dollar debts.

Given the painful course of the last 15 months, since the trade union-owned Koor first faced a liquidation suit by Bankers Trust of New York, optimism may be misplaced.

Mr Peres has called today's meeting – the most conspicuous Government intervention in the saga to date – in an effort to reach a settlement at last to allow Koor, which employs more than 20,000 people, to survive.

With timing of more than symbolic pertinence, the meeting coincides with the expiry of a 30-day grace period allowed for the payment of a missed bi-annual interest tranche due on $105m of bonds issued in the US by Koor through Drexel Burnham Lambert.

Yesterday, there was no sign that Koor was any more in a position to meet the obligation than it was a month ago. The group has suspended all interest and principal payments on all its debts since the beginning of the year.

In that time, much heat has been generated as Koor's slide towards the brink seemed to accelerate sharply.

Most spectacular of all, two bids were made by foreign investors to acquire a majority stake in Israel's largest industrial group and stalwart of the powerful trade union sector.

The offers, from Mr Roy Disney's Shamrock Investment company and the Belzberg brothers of Canada, have now slipped into the background as the realisation dawned that neither offered a short-cut around the essential problem of satisfying Koor's creditors.

It seems everyone is now awaiting the outcome of the meeting in Jerusalem before taking any precipitate action.

The foreign creditor banks, led by Manufacturers Hanover, whose total exposure to Koor is about $200m, say their request for advance notice of Israeli proposals has not been met. They are clearly wary of an attempted Israeli fait accompli, of which there has been more than a hint.

This concern stems from the knowledge that the Israeli banks, led by the Histadrut-owned Bank Hapoalim and with exposure of some $700m, have agreed in principal to a package which is also backed by Hevrat Ha'ovdim, the Histadrut's holding company, and albeit less explicitly, by the Government.

This proposes write-offs in the region of 30 per cent of the exposure of the domestic and foreign banks, the handover by the Histadrut of Koor equity options to the banks and other assets to the Government, and the provision of government financial backing to Koor of a total of $150m.

All Israeli parties dismiss as unrealistic the position of the foreign creditors that a tough operational restructuring by Koor would avoid the need at least for large-scale write-offs.

But the foreign banks are equally insistent that basing a solution on debt forgiveness does not address the heart of the problem.

"Maybe there is a need for some of the debt to be written off," said one participant. "But a write-off to sort out the balance sheet problem without trying to fix the company is the sound of one hand clapping."

Black & Decker in red despite 60% sales climb

By Karen Zagor in New York

BLACK & Decker, the US power tool and appliance company, yesterday reported a loss in the quarter ended December 31 as results continue to reflect the cost of absorbing the Emhart plumbing equipment and carpentry business, acquired for $2.8bn last year.

For the three months ended December 31 the company reported a loss of $3.2m or 5 cents a share from net income of $38m or 65 cents a year earlier. This was in spite of a 60 per cent increase in sales to $1.1bn from $705.5m.

The loss in the recent quarter was attributed to increased interest expense and goodwill amortisation related to the Emhart acquisition.

Black & Decker, which is based in Towson, Maryland, has changed its fiscal year end to December 31 from the last Sunday in September. It said the recent quarter constituted a "stub" period.

Operating income in the latest quarter leapt 80 per cent to $116m.

The company attributed the growth to the Emhart acquisition and to the strength of existing Black & Decker businesses, which reported double-digit operating income growth in the three months.

Foreign exchange losses in the recent quarter were $15.4m, primarily from Brazilian operations.

Mr Nolan Archibald, chief executive, said: "While many other companies are reporting lower profits, Black & Decker's operations remain healthy and are entering the 1990s with strong momentum."

He said the company's results had improved steadily since the Emhart acquisition, from a loss of 49 cents a share in the September quarter to, essentially, a break-even results in the latest period. The company was moving towards its goal of reducing debt by $1bn.

Last week Black & Decker sold its Bostik adhesive business to a French chemical company, a sale expected to yield about $345m gross.

The company said yesterday that it would sell its footwear materials business for about $125m in cash to United Machinery Group. It also plans to sell its capacitors business, excluding the US segment, for about $80m in cash to Nissei Electric.

Citicorp buys credit card arm of BNE

By Anatole Kaletsky in New York

BANK OF New England, the troubled Boston-based bank which recently announced $1.5bn in property losses, yesterday sold its credit card business to Citicorp, the largest US bank, for $828m.

The credit card business had been put on the auction block two weeks ago after Bank of New England disclosed its disastrous results for the fourth quarter. The bank made a net loss of $1.2bn, reducing its shareholders funds to less than $500m, a very thin margin of capital to support aggregate assets of $29bn.

Immediately after announcing its bad results the bank reached an agreement with Federal regulators, requiring the rapid disposal of at least $6bn of assets.

The asset sales did not seem sufficient to reassure wholesale depositors and the bank was forced to borrow more than $450m from the Federal Reserve Bank of Boston's discount window last week.

Assuming the deposit outflow can be checked this week, the proceeds from the bank's assets sales are likely to be used in large part to repay the Fed borrowing.

Given the forced nature of Bank of New England's asset sales, the price commanded by its credit card business appeared to be a good one. The $828m to be paid by Citicorp will be $176m above the book value. The total value of the receivables to be transferred will be $670m.

Citicorp is also acquiring BNE's processing services which deal with 590,000 accounts. For Citicorp, the deal seems an attractive one since it will further strengthen its dominant position in the US credit card business.

Citicorp, with 23m credit card accounts, enjoys a commanding market share, both in card processing and in the rapidly expanding business of financing and securitising credit card receivables.

The bank's management have said it sees credit cards as one of the most promising growth sectors in US domestic banking.

New chairman banks on change of course

Bernard Simon describes a challenge facing the man at the top of Bank of Montreal

On the day he took over as Bank of Montreal chairman earlier this month, Mr Matthew Barrett told the annual meeting his "absolute top priority" was to give the bank's 34,000 employees "a greater sense of their fundamental importance to the achievement of the bank's goals."

His words reflect the pressing need to put a gentler face on Canada's third biggest bank, while getting the staff accustomed to some changes in direction.

Mr Barrett's appointment marks the end of 11 turbulent years which the bank had experienced under the iron rod of Mr William Mulholland.

Mr Mulholland was respected for his business acumen, but his domineering style – his nicknames included God and King William – drove many talented executives away from the bank and frustrated those who remained.

With the largest Third World loan exposure among Canada's big six banks, financial performance has also lagged its competitors in recent years. At the same time, the bank, in common with its Canadian cousins, is transforming itself from a global institution to a bank with its eyes firmly on North America.

Its offshore operations now focus on taking care of the needs of its Canadian and US customers and serving businesses with North American interests.

"It's very much a conduit to our North American base, rather than chasing local business," Mr Barrett said in an interview.

Offices have been closed in several countries and the capital markets operation in London has been folded into the local office of its 75 per cent-owned Canadian securities subsidiary, Nesbitt Thomson.

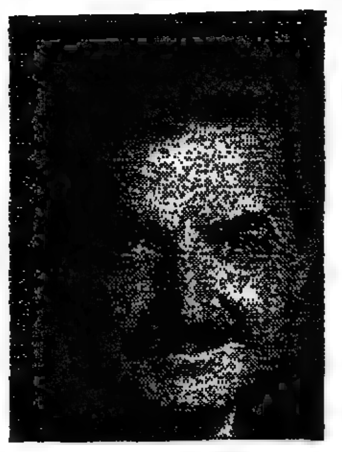
Lending to large companies is being concentrated on a few selected sectors, such as energy, real estate and financial institutions.

The other side of the coin is that Mr Barrett aims to boost the contribution of US business from about 26 per cent of 1989 earnings to 50 per cent of the total.

The bank earned C$648m (US$547m) from operations in the year to October 31 1989, but a C$595m provision on its C$4.6bn Third World loan portfolio brought net income down to C$51m, a return on assets of only 0.06 per cent.

It has now provided for 61 per cent of its Third World loans. Assets stood at C$78.9bn at the end of fiscal 1988.

Just over half last year's US earnings came from Harris Bankcorp, the Chicago bank



Matthew Barrett: trying to break with the past

whose acquisition by in 1984 is widely seen as Mr Mulholland's most far-sighted move. With assets of US$12.4bn, Harris is the third biggest bank in the Chicago area.

It has a strong trust business in various parts of the country, and has bought several small but highly profitable community banks in the Chicago suburbs.

Mr Barrett spends at least one day each month with Harris executives, and is moving towards closer co-ordination of the two banks' strategic plans.

He is confident his bank can apply in the US some of the expertise it has gained running 1,200 branches and 1,000 automated teller machines in Canada. To achieve the aim of 50 per cent of earnings coming from the US, Mr Barrett says "probably, we'll need to do further acquisitions."

Mr Mike Sammon, a banking analyst at Chicago Corporation, says "Harris is surrounded by states that have attractive franchises," such as Michigan, Indiana, Wisconsin and Iowa, which is presently in the process of liberalising its bank ownership laws. Harris is also planning to broaden its business.

On the retail side, the community banks can be used as conduits for its trust expertise. The bank is trying to appeal to a wider spectrum of mid-sized corporate customers, partly through its highly-regarded cash management services.

Analysts caution that the price tag for an acquisition, especially in the Chicago area, may be high.

Mr Joseph LaManna, analyst at Chicago securities firm William Blair & Co, estimates prices for the 15 Illinois banks with assets of more than US$350m that have been bought in the past three years have been an average 2.4 times book value and 15 times earnings.

Bank of Montreal bought Harris for only 1.3 times book value. The more immediate challenge for Mr Barrett is to improve employee morale at the bank. Aged 45, he is clearly trying to break with the past. In a barely-disguised criticism of Mr Mulholland's management style, the more relaxed Mr Barrett notes "the notion that the chairman can be the person who can think for everybody and direct everybody is a little passé."

Among his first moves after he became chief executive last July was to take the senior management group away for a three-day session at a country inn near Toronto to sow the seeds of a new strategic plan.

Since then, the group has met for a full day each month. A newly-formed operating committee gets together for 4-5 hours each Monday afternoon.

The new plan is due to be unveiled within the next month or so.

Two new vice-chairmen, one aged 40 and the other 44, have been appointed to improve co-ordination among different parts of the bank.

One will oversee all the bank's business involving individuals and small businesses, the other will concentrate on the corporate and institutional side. Mr Barrett acknowledges the new emphasis on collegiality means decision-making takes longer these days than it used to. He asserts, "what you lose in the front-end, you gain in implementation."

Modest quarterly rise at Marsh & McLennan

By Anatole Kaletsky

MARSH & McLennan, the leading US insurance broking and business services firm, reported a modest advance in net income and revenues in the fourth quarter, but virtually no change for 1989 as a whole.

The company made net profits of $56m or 77 cents a share in the fourth quarter, up 8.4 per cent from the year earlier result of $51m or 71 cents. Its quarterly revenues were 9 per cent higher at $592m.

In 1989 as a whole, net income totalled $295m or $4.10 a share, compared with $296m or $4.09 a year ago. The year's revenues were 4 per cent up at $2.4bn.

The company's results were closely in line with market expectations and its share price increased by $¼ to $75¼.

In addition to companies which operate under its own name, Marsh & McLennan owns the C.T. Bowring insurance broking business in London Guy Carpenter, the biggest reinsurance broker in the US.

It also has subsidiaries which operate in investment services, employee benefits consultancy and corporate strategy work.

Insurance services provide about 60 per cent of Marsh & McLennan's business, consulting about 30 per cent and investment management about 10 per cent.

Colgate to pay $172m for Bristol-Myers units

By Alan Friedman in New York

COLGATE-PALMOLIVE, the third biggest US maker of household and personal care consumer products, is to acquire for $172m the Canadian bleach and fabric softener businesses owned by Bristol-Myers Squibb, the recently merged US drug company.

The Canadian businesses, consisting of Javex, the bleach product, and Fleecy, the popular fabric softener, employ a workforce of 508 people at six plants and have annual sales of about C$100m (US$84m).

The purchase of the divisions, which were Bristol-Myers' only laundry care businesses, will double the Canadian revenues of Colgate-Palmolive, which are derived mainly from the toothpaste and detergents sectors.

Bristol-Myers Squibb, which last week reported a $353m net loss for the 1989 fourth quarter, including a $693m after-tax charge related to its merger, insisted yesterday that the disposal of the Canadian divisions had nothing to do with the merger.

"The company felt these businesses did not fit into our business portfolio," a spokeswoman said.

Colgate-Palmolive, which has annual worldwide sales of about $5bn, sells bleach in 15 countries and fabric softeners in 82 markets.

Canadian pulp group tumbles

By Bernard Simon in Toronto

A STRONG Canadian dollar and lower pulp and paper earnings contributed to a one-third drop in earnings last year at Fletcher Challenge Canada, the Vancouver-based forest products company 71 per cent owned by New Zealand's Fletcher Challenge.

FCC's net earnings were C$120m ($100.8m) or C$2.01 per share last year, down from C$180.2m or C$3.08 in 1988. After extraordinary charges for restructuring and the write-down of an investment in an Alberta sawmill, earnings fell by almost half to C$96.2m from C$182.2m. Sales slipped to C$1.4bn from C$1.47bn.

The company's problems were especially apparent in the fourth quarter, when earnings before extraordinary items tumbled to C$19.9m or 34 cents from C$45.8m or 78 cents.

More than C$25m of last year's drop in earnings was caused by the strength of the Canadian dollar, which climbed from an average of 81.24 US cents in 1988 to a peak of almost 87 US cents last December.

The fall in pulp and paper earnings was due to lower newsprint prices, as well as interruptions at mills in British Columbia and Minnesota.

FCC said that income was further depressed by low prices for wood products.

Mr Ian Donald, chief executive, forecast that 1990 would be "a year of difficult market conditions." But he said the company's output of lightweight coated paper should be "significantly" higher this year.

● Tembec, Canada's largest special pulp producer, felt the impact of lower prices for fluff pulps in the first quarter, but other soft wood pulp remained in strong demand, Robert Gibbens adds from Montreal.

Earnings were C$6.1m or 39 cents a share, down from C$7.5m or 49 cents on sales of C$57.8m against C$69.8m.

The company warns that, with a slower North American economy and the current high level of the Canadian dollar, full-year profits could decline by 25 per cent against fiscal 1989.

CMI hit by low demand for stainless steel

FALLING international demand for stainless steel led to a sharp reduction in the sales and profits of Consolidated Metallurgical Industries (CMI), the South African ferrochrome producer, in the six months to December, writes Jim Jones from Johannesburg.

Steelmakers who had stocked up heavily on ferrochrome cut purchases and destocked as their customers delayed purchases of stainless in anticipation of lower prices. The company recently increased its annual ferrochrome production capacity to 200,000 tonnes from 150,000 tonnes.

CMI's interim turnover was reduced to R128.7m ($50.2m) from R142m and pre-tax profit was R67.3m against R74.2m.

Mr Barry Davison, managing director, said volume sales dropped by 26 per cent but he added the average selling price exceeded that of the corresponding period in 1988, even though dollar prices of ferrochrome fell sharply in 1989's third and fourth quarters.

Prices had been increased sharply in the first two quarters of calendar 1989.

Mr Davison warned that selling prices had fallen farther since the start of 1990 and that sales during the current half year were unlikely to match those of the corresponding 1989 period.

A lower tax bill this time resulted in an increase in net earnings to 107 cents a share from 101 cents. The interim dividend has been maintained at 35 cents.

The last financial year's full earnings were 237 cents and the year's dividend 115 cents.

Predators close in on feuding Gallimard

Family disunity threatens a French publisher, writes George Graham

Like sharks drawn by the smell of blood, the predators are clustering hungrily around the fraternal feud between Antoine and Christian Gallimard, scions of the distinguished French publishing dynasty.

Gallimard, the last big independent publisher in France, is attracting the attention of every leading publisher in the world, anxious to see if the battle will result in the company coming on to the market.

Even without the suggestion of a quarrel, the Martells in Cognac or the Prouvost woollens clan found the pressure to sell out from their family businesses irresistible. When families fall out, as happened at Grands Moulins de Paris, the end is quicker.

Ms Françoise Gallimard, sister of Christian and Antoine, decided last week that the feud had gone on long enough. She announced she had hired an investment bank to value her stake in the company and was willing to sell out, on condition that either Christian or Antoine took full control.

Christian was the choice of his grandfather, Gaston, who founded the publishing company in 1911. Gaston thought little of his son Claude, but the son he had chosen to take over was killed in a car crash with Albert Camus, the author, in 1960.

After Gaston's death, however, Claude sacked his elder son as managing director and put Antoine in his place.

Françoise and her sister Isabelle, who appears to have stayed out of the quarrel, both work at Gallimard, but Christian is now a publisher in Switzerland.

Each of Claude's four children originally held 12.5 per cent of the company, but Claude has sold more shares to Antoine on terms which the other children contest.

Eighteen per cent of the shares are outside the family's control, mostly in the hands of Mrs Muriel Toso, a family friend who also sits on Gallimard's board.

Gallimard has one of France's most prestigious stables of authors, and a glittering backlist of French literary greats: Marcel Proust has just gone out of copyright, but Antoine de Saint-Exupéry, Albert Camus and Jean-Paul Sartre continue to provide a steady flow of earnings.

"Gaston took 80 per cent of the cream in a particularly rich period for French literature," commented one rival publisher.

The company is not resting on its laurels, however. Gallimard's cream and red spines continue to decorate every well-dressed Parisian bookshelf, besides dominating, along with rival publishers Grasset and Seuil, the Prix Goncourt, France's most important literary award. It is also recognised by many as having the best children's publishing division in France.

Gallimard reported parent company net profits of FFr7.34m ($1.3m) on turnover of FFr499.6m in the year to end February 1988, the latest for which accounts can be obtained. The previous year it reported a net loss of FFr12.64m.

Some of the family shareholders, however, have complained the company has sought to minimise profits to reduce dividends.

Henry Ansbacher, the investment bank hired by Françoise Gallimard, estimates the value of the company at about FFr1.85bn – FFr1.6bn based on the average multiple of annual revenues used in other recent sales of publishers plus FFr250m, or half the estimated value of Gallimard's extensive property portfolio.

Some publishers say it would be easy to find a buyer ready to pay considerably more.

But if the company thrives, the family does not. Friends say they have never come across a family with so little mutual affection.

"My brothers fight terribly. They will not speak to each other, and my father does not see Christian any more," Françoise said.

She is afraid that her brother Antoine, who speaks for 33 per cent of Gallimard's shares compared with 12.5 per cent for each of his siblings, will try to buy them out on the cheap. She wants either Antoine or Christian to find a financially powerful partner so they can offer a respectable price.

"Too much time has been lost in arguments and disputes within the family, and the company has begun to suffer. Either one of my brothers with substantial outside financing or with a major outside entity should acquire the shares of the company," she said.

Antoine said he was ready to buy his sister's stake to keep it in family hands, although he would have to find partners to pay for it.

"We do not want to break up this magnificent firm founded by my grandfather," he said.

INTERNATIONAL CAPITAL MARKETS

British Gas fixed price reoffering livens dull day

By Deborah Hargreaves

THE debate on fixed price reoffering in the Eurobond market was reopened yesterday after Baring Bros launched a deal for British Gas, amid a languid day for the market as a whole.

INTERNATIONAL BONDS

The £150m five-year issue for British Gas was brought yesterday morning as a fixed price reoffer sold at less 1¾ by a syndicate of eight banks. But the market was thrown into some confusion when a bid of less 1.80 appeared on syndicate managers' dealing screens.

Barings had been forced into posting the lower bid to try to protect the syndicate after spoiling bids of less 2 started to appear mid-morning. Although a fixed price reoffering keeps syndicate members from selling bonds below the agreed price, there is no established convention about showing lower bids.

It appears that no bonds were sold below the level of the reoffering and the bonds were trading at a level of less 1.75 to less 1.80 when the syndicate broke at 3pm yesterday afternoon.

Barings says it bought one block of bonds back from a syndicate member, but declines to specify how many bonds were in the block.

The British Gas issue does not appear to have been hurt by the appearance of lower bids, but the issue is likely to spark continued debate over syndicate discipline in fixed price reofferings.

In spite of a return of some optimism to the European government bond markets yesterday, new issue activity in the Eurobond market was slow, with investors steering clear of international bonds.

The planned launch today by Salomon Bros of a $300m eight-year issue for Mitsui Toatsu Chemical should give a fillip to the Eurobond market. It will make Salomon the first non-Japanese securities house to be the lead manager of a dollar-denominated equity warrant issue for a Japanese company.

The issue comes at an interesting time for the equity warrants market, since most houses fear that the Ministry of Finance is trying to bring regulation of the market back to Japan.

Nomura also plans to launch its part of the Mitsui deal today. This is expected to be a domestic convertible and a $300m four-year equity warrant deal.

● S.G. Warburg Soditic launched a SFr100m Eurobond for Control Securities Finance last week. This was shown in yesterday's table as DM100m.

● Pioneer Electronic is to issue 12m new shares in overseas markets, excluding the US, through a public placement with Nomura International as lead manager, Reuter reports.

The shares are to be issued at 97 per cent of the closing price of the share in Tokyo on February 6. Payment is due by February 14. If the shares fall below Y5,143, Nomura will suspend the issue.

The funds will be used by Pioneer for capital spending and to finance subsidiaries. Pioneer shares are currently trading at about Y6,050.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Issue Update:						
Maruzen Co Ltd.(b)#◆	200	2⅛	100	1994	2¼/1½	Nikko Secs.(Eur)
YEN						
Societe Generale◆	5bn	7	101⅞	1995	1⅞/⅝	Fuji Int.
Bayerische Vereinsbank◆	10bn	7.1	101⅞	1995	1⅞/⅝	Merrill Lynch
STERLING						
British Gas plc◆	150	12¾	101⅞	1995	1⅞/⅝	Baring Bros
D-MARKS						
SE-Banken†◆	300	(a)	100¼	1995	n/a	CSFB Effectenbank

†Floating rate note. #With equity warrants. ◆Final terms. a)Coupon pays 3-month Libor flat. Callable after 2 years at par. b)Coupon cut by ½.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on January 29

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alberta 8⅝ 96	750	97¼	97⅝	0	-1	9.12
Alberta 9⅝ 95	600	101	101⅜	-0⅛	-1	9.10
Austria 9⅝ 93	140	101¼	101¾	-0⅛	-0⅝	9.03
B.F.C.E. 8¼ 94	175	97⅝	97⅞	0	-1	9.04
B.F.C.E. 9¼ 95	150	100⅞	101	-0⅛	-0⅞	9.06
Brit. Tel. Fin. 9⅝ 98	250	100⅞	100⅝	-0¼	-1⅛	9.30
Canada 9 96	1000	100⅝	101⅛	-0¼	-0⅞	8.80
[illegible]						

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Canada 6⅛ 91	80	99⅝	99¾	0	+0⅛	6.49
Canada 5⅝ 93	60	96⅝	96⅞	0	+0⅛	6.69
Eurofima 5 1995	20	91⅞	92⅛	+0⅛	+0⅛	6.84
E.I.B. 4⅞ 93	30	94⅞	95⅛	+0⅛	+0⅛	6.71
Ireland 5⅛ 93	30	94¼	94½	+0⅛	+0⅛	7.07
Norway 5⅛ 95	50	93⅛	93⅜	+0⅛	+0⅛	6.64
Sweden 4⅝ 93	50	94	94⅛	+0⅛	+0⅛	6.66
[illegible]						

OTHER STRAIGHTS, DEUTSCHE MARK STRAIGHTS, FLOATING RATE NOTES, CONVERTIBLE BONDS: [illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						
Nationwide Ang.B/S. 4 93	200	†86	87	-0⅛	-0⅛	8.77
Prov. Newfoundland 5 03	150	†80	81	-0¼	-0½	7.27
Thailand 4⅝ 95	200	†82	84	+0⅞	+0½	8.66
World Bank 5 03	150	†81	83	-0½	0	7.11

Average price change... On day -0⅛ on week -0⅜

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

SINS2; Line BONDSIN Truncation occurred. Story '#20963'.

The prices over the past week were supplied by: Bankers Trust International; Kredietbank N.V.; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Bank Generale du Luxembourg SA; Bank Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring & Pierson; Credit Suisse; Bank of Tokyo International; Chemical Bank International; Citicorp International Bank; Daiwa Europe NV; LTCB International; Robert Flemming & Co; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Merrill Lynch; Morgan Stanley International; Nikko Securities Company (Europe); Nomura International, Sanwa International; Samuel Montagu & Co.; Societe Generale Strauss Turnbull; Swiss Bank Corporation; UBS-Phillips & Drew; S.G. Warburg Securities; Wood Gundy

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, January 29,1990. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	59.1301	35.1950	41.3111
Albania	(Lek)	10.22	6.0887	3.6241	4.2539
Algeria	(Dinar)	13.38	7.9714	4.7446	5.5691
Andorra	(Fr Fr)	9.5750	5.7044	3.3953	3.9854
	(Sp Peseta)	182.25	108.5790	64.6276	75.8584
Angola	(Kwanza)	49.913u	29.9180	17.6996	20.7754
Antigua	(E Carr $)	4.5346	2.7015	1.6080	1.8874
Argentina	(Austral)	3017.00	1797.9148	1070.1418	1256.1062
Aruba	(Florin)	3.01	1.7952	1.0673	1.2528
Australia	(Aus $)	2.2005	1.3109	0.7803	0.9159
Austria	(Schilling)	19.805	11.7992	7.0230	8.2434
Azores	(Port Escudo)	247.95	147.7211	87.9255	103.2049
Bahamas	(Bahama $)	1.6785	1	0.5952	0.6986
Bahrain	(Dinar)	0.6298	0.3752	0.2233	0.2621
Balearic Is	(Sp Peseta)	182.25	108.5790	64.6276	75.8584
Bangladesh	(Taka)	52.30	31.1587	18.5460	21.7689
Barbados	(Barb $)	3.378	2.0125	1.1978	1.4060
Belgium	(Belg Fr)	58.85c	35.0610	20.8687	24.4953
		58.85g	35.0610	20.8687	24.4953
Belize	(B $)	3.359	2.0011	1.1911	1.3981
Benin	(CFA Fr)	478.75	285.2249	169.7695	199.2715
Bermuda	(Bermudian $)	1.6785	1	0.5952	0.6986
Bhutan	(Ngultrum)	28.20	16.8007	10	11.7377
Bolivia	(Boliviano)	5.02	2.9907	1.7801	2.0894
Botswana	(Pula)	3.105	1.8498	1.1010	1.2924
Brazil	(Cruzado)	23.409	13.9463	8.3010	9.7436
British Virgin Is	(US $)	1.6785	1	0.5952	0.6986
Brunei	(Brunei $)	3.134	1.8671	1.1113	1.3044
Bulgaria	(Lev)	1.3024	0.7759	0.4618	0.5421
Burkina Faso	(CFA Fr)	478.75	285.2249	169.7695	199.2715
Burma	(Kyat)	10.7780	6.4212	3.8219	4.4861
Burundi	(Burundi Fr)	291.55	173.6967	103.3865	121.3527
Cambodia	(Riel)	251.775u	150	89.2819	104.7970
Cameroon	(CFA Fr)	478.75	285.2249	169.7695	199.2715
Canada	(Canadian $)	1.9950	1.1885	0.7074	0.8303
Canary Is	(Sp Peseta)	182.25	108.5790	64.6276	75.8584
Cp. Verde	(CV Escudo)	123.527	73.5936	43.8039	51.4160
Cayman Is	(CI $)	1.394u	0.8300	0.4943	0.5802
Cent.Afr. Rep	(CFA Fr)	478.75	285.2249	169.7695	199.2715
[illegible]					
Falkland Is	(Falk £)	1.00	0.5957	0.3546	0.4162
Faroe Is	(Danish Kroner)	10.8675	6.4745	3.8537	4.5234
Fiji Is	(Fiji $)	2.5218	1.5024	0.8942	1.0496
Finland	(Markka)	6.6270	3.9481	2.3500	2.7583
France	(Fr)	9.5750	5.7044	3.3953	3.9854
Fr. Cty/Africa	(CFA Fr)	478.75	285.2249	169.7695	199.2715
Fr. Guiana	(Local Fr)	9.5750	5.7044	3.3953	3.9854
Fr. Pacific Is	(CFP Fr)	172.00	102.4724	60.9929	71.5920
Gabon	(CFA Fr)	478.75	285.2249	169.7695	199.2715
Gambia	(Dalasi)	13.8577	8.2560	4.9140	5.7680
Germany East	(Ostmark)	2.82	1.6800	1	1.1737
Germany West	(DMark)	2.82	1.6800	1	1.1737
Ghana	(Cedi)	540.00	321.7158	191.4893	224.7658
Gibraltar	(Gib £)	1.00	0.5957	0.3546	0.4162
Greece	(Drachma)	263.40	156.9258	93.4042	109.6357
Greenland	(Danish Krone)	10.8675	6.4745	3.8537	4.5234
Grenada	(E Carr $)	4.5346	2.7015	1.6080	1.8874
Guadaloupe	(Local Fr)	9.5750	5.7044	3.3953	3.9854
Guam	(US $)	1.6785	1	0.5952	0.6986
Guatemala	(Quetzal)	4.775	2.8448	1.6932	1.9875
Guinea	(Fr)	503.85	300.1707	[illegible]	[illegible]
Guinea-Bissau	(Peso)	1091.67u	650	[illegible]	[illegible]
Guyana	(Guyanese $)	50.1950u	33	[illegible]	[illegible]
Haiti	(Gourde)	8.3975u	5	[illegible]	[illegible]
Honduras	(Lempira)	3.3525u	2	[illegible]	[illegible]
Hong Kong	(HK $)	13.1028	7.8062	[illegible]	[illegible]
Hungary	(Forint)	103.08	61.4119	[illegible]	[illegible]
Iceland	(Icelandic Krona)	100.93	60.1310	[illegible]	[illegible]
India	(Indian Rupee)	28.20	16.8007	[illegible]	[illegible]
Indonesia	(Rupiah)	3017.16	1797.5335	[illegible]	[illegible]
Iran	(Rial)	115.40	68.7518	[illegible]	[illegible]
Iraq	(Iraqi Dinar)	0.5173	0.3081	[illegible]	[illegible]
Irish Rep	(Punt)	1.0635	0.6336	[illegible]	[illegible]
Israel	(Shekel)	3.26	1.9422	[illegible]	[illegible]
Italy	(Lira)	2098.00	1249.9255	[illegible]	[illegible]
Jamaica	(Jamaican $)	10.7210	6.3872	[illegible]	[illegible]
Japan	(Yen)	240.25	143.1337	[illegible]	[illegible]
Jordan	(Jordanian Dinar)	1.1157	0.6647	[illegible]	[illegible]
Kenya	(Kenya Shilling)	36.10	21.5072	[illegible]	[illegible]
Kiribati	(Australian $)	2.2005	1.3109	[illegible]	[illegible]
Korea North	(Won)	1.6291	0.9705	[illegible]	[illegible]
Korea South	(Won)	1142.25	680.5183	[illegible]	[illegible]
Kuwait	(Kuwaiti Dinar)	0.4868	0.2900	[illegible]	[illegible]
Laos	(New Kip)	1197.48	713.4226	[illegible]	[illegible]
Lebanon	(Lebanese £)	893.92	532.5707	[illegible]	[illegible]
[illegible]					
Namibia	(S A Rand)	4.2773	2.5482	1.5167	1.7803
Nauru Is	(Australian $)	2.2005	1.3109	0.7803	0.9159
Nepal	(Nepalese Rupee)	47.6978	28.4169	16.9141	19.8534
Netherlands	(Guilder)	3.1775	1.8930	1.1267	1.3225
N'nd Antilles	(A/Guilder)	3.0231u	1.7977	1.0720	1.2583
New Zealand	(NZ $)	2.8165	1.6779	0.9987	1.1723
Nicaragua	(Cordoba)	67162.00	40013.1069	23816.3120	27955.0468
Niger Rep	(CFA Fr)	478.75	285.2249	169.7695	199.2715
Nigeria	(Naira)	13.10	7.8045	4.6453	5.4526
Norway	(Nor. Krone)	10.8675	6.4745	3.8537	4.5234
Oman	(Rial Omani)	0.6430	0.3830	0.2280	0.2676
Pakistan	(Pak. Rupee)	35.30	21.0306	12.5177	14.6930
Panama	(Balboa)	1.6785	1	0.5952	0.6986
Papua New Guinea	(Kina)	1.6179	0.9638	0.5737	0.6734
Paraguay	(Guarani)	2107.00	1255.2874	747.1631	877.0031
Peru	(Inti)	21465.00	12788.2037	7611.7021	8934.4432
Philippines	(Peso)	36.20	21.5668	12.8368	15.0676
Pitcairn Is	(£ Sterling)	1.00	0.5957	0.3546	0.4162
	(NZ $)	2.8165	1.6779	0.9987	1.1723
Poland	(Zloty)	15575.00	9279.1182	5523.0496	6482.8303
Portugal	(Escudo)	247.95	147.7211	87.9255	103.2049
Puerto Rico	(US $)	1.6785	1	0.5952	0.6986
[illegible]					
Virgin Is-British	(US $)	1.6785	1	0.5952	0.6986
Virgin Is-US	(US $)	1.6785	1	0.5952	0.6986
Western Samoa	(Tala)	3.846	2.2913	1.3638	1.6008
Yemen	(Rial)	16.375	9.7557	5.8067	6.8158
Yemen PDR	(Dinar)	0.57069u	0.3430	0.2023	0.2375
Yugoslavia	(Dinar)	19.5402	11.6414	6.9291	8.1332
Zaire Rep	(Zaire)	768.4568	457.8235	272.5024	319.8571
Zambia	(Kwacha)	38.30	22.8179	13.5815	15.9417
Zimbabwe	($)	3.83	2.2817	1.3581	1.5941

Special Drawing Rights January 26,1990 United Kingdom £1.25792 United States $1.32361 Germany West D Mark 2.23558 Japan Yen190.401   European Currency Unit Rates January 29,1990 United Kingdom £1.37796 United States $1.21679 Germany West D Mark 2.03716 Japan Yen173.673

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate; (u) Currency fixed against the US dollar.
Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 01 634 4360/5.
Monday, January 29, 1990.

BRADFORD & BINGLEY BUILDING SOCIETY

£50,000,000 Floating Rate Notes Due 1994

In accordance with the terms and conditions of the Notes, notice is hereby given that for the Interest Period from (and including) 29th January, 1990 to (but excluding) 28th February, 1990, the Notes will carry a rate of interest of 15⅛ per cent. per annum.
The relevant Interest Payment Date will be 28th February, 1990. The amount of interest per £10,000 will be £124.32.
The £50,000,000 Floating Rate Notes due 1994 of the Society issued on 29th January, 1990 will be consolidated and form a single series with the £100,000,000 Floating Rate Notes due 1994 of the Society issued on 31st May, 1989 and from (and including) 28th February, 1990 will become known as the £150,000,000 Floating Rate Notes due 1994 of the Society.

Hambros Bank Limited
Agent Bank

REPUBLIC NATIONAL BANK OF NEW YORK

A SUBSIDIARY OF REPUBLIC NEW YORK CORPORATION
Consolidated Statements of Condition

Assets	December 31, 1989	December 31, 1988
(Dollars in Thousands)		
Cash and due from banks	$ 373,131	$ 357,243
Interest bearing deposits with banks	7,961,594	8,376,228
Precious metals	412,128	209,185
Investment securities	3,172,594	2,855,055
Trading account assets	323,446	189,041
Federal funds sold and securities purchased under resale agreements	854,410	997,946
Loans, net of unearned income	4,532,708	3,668,591
Allowance for possible loan losses	(259,265)	(154,801)
Loans (net)	4,273,443	3,513,790
Customers' liability on acceptances	2,182,547	2,362,087
Premises and equipment	319,302	320,002
Accrued interest receivable	333,976	298,080
Investment in affiliate	484,716	456,191
Other assets	359,861	218,336
Total assets	$21,030,950	$20,153,084

Liabilities and Stockholder's Equity	December 31, 1989	December 31, 1988
Non-interest bearing deposits:		
In domestic offices	$ 799,612	$ 684,078
In foreign offices	101,575	89,399
Interest bearing deposits:		
In domestic offices	4,930,989	5,020,025
In foreign offices	8,418,164	8,103,816
Total deposits	14,250,340	13,897,318
Short-term borrowings	945,148	314,899
Acceptances outstanding	2,174,693	2,372,090
Accrued interest payable	265,703	206,261
Other liabilities	418,926	265,485
Long-term debt	1,442,511	1,465,905
Stockholder's Equity:		
Cumulative preferred stock, $100 par value: 1,000,000 shares outstanding	100,000	100,000
Common stock, $100 par value: 4,800,000 shares authorized; 3,550,000 shares outstanding	355,000	355,000
Surplus	860,000	860,000
Retained earnings	218,631	316,123
Total stockholder's equity	1,533,631	1,631,123
Total liabilities and stockholder's equity	$21,030,950	$20,153,084
Letters of credit outstanding	$ 1,299,074	$ 1,325,341

The portion of the investment in precious metals not hedged by forward sales was $15.3 million and $17.5 million in 1989 and 1988, respectively.

REPUBLIC NEW YORK CORPORATION
Summary of Results
(In Thousands Except Per Share Data)

	Twelve Months Ended December 31, 1989*	Twelve Months Ended December 31, 1988	Three Months Ended December 31, 1989	Three Months Ended December 31, 1988
Net income	$ 23,997	$ 169,850	$ 93,806	$ 50,049
Cash dividends declared on common stock	$ 38,631	$ 35,989	$ 9,671	$ 9,013
Per Common share:				
Net income	$ .04	$ 5.01	$ 2.92	$ 1.49
Cash dividends declared	$ 1.28	$ 1.20	$ .32	$ .30
Average common shares outstanding	30,149	29,961	30,223	30,045

*Results reflect a provision for loan losses of $200 million for developing countries' debt obligations.

World Headquarters: Fifth Avenue at 40th Street, New York, New York 10018
(30 offices in Manhattan, Bronx, Brooklyn, Queens, Westchester & Rockland County)
Member Federal Reserve System/Member Federal Deposit Insurance Corporation

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GUERNSEY • LONDON • LUGANO • LUXEMBOURG • MILAN • MONTE CARLO • PARIS • ZURICH • HONG KONG • SINGAPORE • TAIPEI • TOKYO

T. C. Ziraat Bankasi
(incorporated in the Republic of Turkey with limited liability)

U.S. $140,000,000
Floating Rate Notes Due 2001

Notice is hereby given that the Interest Rate for the period from 26th January, 1990 to 26th July, 1990 is 9¹¹⁄₁₆%. The Floating Rate Note Interest Amount payable on 26th July, 1990 is U.S. $493.35 per U.S. $10,000.

Bankers Trust Company, London Agent Bank

Nissho Iwai International Finance (Cayman) Limited

U.S.$300,000,000 Floating Rate Notes Due 1991

Notice is hereby given that the rate of interest has been fixed at 8.4375% and that the interest payable on the relevant interest payment date, April 30, 1990 against Coupon No. 1 in respect of US$100,000 nominal of the notes will be US$2,132.81.

January 30, 1990, London
By: Citibank, N.A. (CSSI Dept.), Agent Bank CITIBANK

CITICORP BANKING CORPORATION
(Incorporated with limited liability in the State of Delaware)

U.S.$50,000,000 Floating Rate Notes due July 29, 1991

Notice is hereby given that the Rate of Interest for the period January 30, 1990 to April 30, 1990 has been fixed at 8.45 and that the interest payable on the relevant Interest Payment Date, April 30, 1990 against Coupon No. 15 in respect of US$10,000 nominal of the Notes will be US$211.25.

January 30, 1990, London
By: Citibank, N.A. (CSSI Dept.), Agent Bank CITIBANK

Treasuries continue slide ahead of refunding details

By Janet Bush in New York and Martin Dickson in London

US TREASURY bonds continued to slide yesterday with no sign of a recovery from last week's steep falls.

In late trading, short-dated

GOVERNMENT BONDS

maturities were quoted as much as ¼ point lower, while the benchmark long bond was quoted ⅝ point lower for a yield of 8.54 per cent.

Yesterday's release of December personal income and consumption data showed that personal income rose 0.5 per cent and personal consumption rose by 1 per cent compared with forecasts of a gain of around 0.7 per cent. The larger than expected rise in consumption was attributed to increased spending on heating because of the cold weather.

Overall, the figures appeared to lend support to the view that the economy is not tilting into recession and, as bond market economists Griggs & Santow put it, "gains in real income remain large enough to assure that consumption will remain the driving force behind this year's non-recession expansion."

The quiet start to the week was expected, given the fact that there is so much news to digest over the next few days. Economic statistics due this week include December new home sales and leading indicators tomorrow and the all-important January employment release on Friday.

Tomorrow, the market will receive details of the quarterly refunding next month and, on Thursday, the latest economic report by US purchasing managers is released. The market is still extremely concerned about demand at the quarterly refunding, although the sharp rise in yields recently should have helped a little.

■ UK GOVERNMENT bonds closed higher last night after a see-saw day of thin trading which opened with a mark down of prices.

The market, which dipped last Friday – despite improving trade figures – on rumours that the Government might resume gilts sales, was again jittery about new issues yesterday morning. A £150m issue for British Gas reinforced these anxieties, as prices dropped by around ⅛ at the long end.

But the strength of sterling and reconsideration of the trade figures drew some foreign and domestic buying, and the benchmark 11¾ Treasury stock due 2003/07 closed at around 107, up some ⅛, to yield 10.73.

■ WEST GERMAN government bonds enjoyed a stronger day on the back of the strengthening D-Mark, with the market led by heavy volume in futures and relatively light trading in cash bonds.

Analysts said that other factors behind the rise included short-covering, switching by some investors from US Treasuries and the release of West Germany's January consumer price figures.

Although the price statistics were in line with expectations, some fund managers were reported to have seen them as a buying opportunity.

The Federal Government's 7¼ January 2000 bond was fixed 22 basis points higher at 97.15, with the yield falling to 7.65 per cent from 7.70 on Friday.

In late trading it was quoted at about 97.13.

■ IN TOKYO, cash bonds rose in early trading on the back of the yen's appreciation against the dollar, with the yield on the benchmark 119th issue dropping as low as 6.37 per cent against 6.42 on Friday. But profit-taking halted the trend and the yield rose as high as 6.51.

Trading was cautious ahead of today's expected auction of February 10-year government bonds.

Late in London's trading day the yield on the benchmark bond was around 6.49, with one house reporting good retail buying at the longer end.

■ FRENCH bonds ended little changed in a day of quiet trading after a rally from lower early prices. The recovery was on the back of the German rally but did not match its strength.

The yield spread against German bonds, which narrowed to nearly 180 basis points in early last week, widened from around 190 to 195. The Matif futures contract closed just 4 basis points up at 102.00.

The Matif plans to launch an option on its three-month interest rate futures contract at the beginning of March. The exchange's futures contract on the Paris interbank offered rate has grown into one of its most successful, currently trading some 10,000 contracts a day.

The Pibor option will add a short-term interest rate option to Matif's long-term notional bond futures and options contracts based on the 10-year government bond.

● Matif futures contracts are listed in the Financial Times' futures and options prices page for the first time today.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		10.000	4/93	94-03	+1/32	12.19	12.50	11.36
		10.500	5/99	96-09	+8/32	11.14	11.28	10.57
		9.000	10/08	89-30	+10/32	10.21	10.30	9.71
US TREASURY *		7.875	11/99	95-23	-10/32	8.53	8.27	7.92
		8.125	8/19	95-08	-13/32	8.57	8.30	7.97
JAPAN	No 111	4.800	6/99	90.1632	-0.741	6.49	6.65	5.71
	No 2	5.700	3/07	94.8202	+0.078	6.33	6.50	5.66
GERMANY		7.000	9/99	95.5000	+0.450	7.64	7.73	7.26
FRANCE	BTAN	8.000	10/94	91.5014	-0.061	10.36	10.30	10.21
	OAT	8.125	5/99	91.0150	+0.035	9.61	9.58	9.50
CANADA *		9.250	12/99	95.0500	-0.300	10.05	9.84	9.71
NETHERLANDS		7.500	11/99	94.9500	+0.070	8.26	8.36	8.02
AUSTRALIA		12.000	7/99	98.1112	+0.210	12.71	12.98	12.90

London closing, *denotes New York closing
Yields: Local market standard Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

Sony makes huge Tokyo warrant bond issue

By Ian Rodger in Tokyo

SONY has joined the rush of Japanese companies issuing yen warrant bonds in Tokyo with a huge Y100bn issue, the same size as that made by Nippon Steel last month.

The Sony issue is part of a Y400bn fund-raising to finance its acquisitions of Columbia Pictures and Guber-Peters Entertainment in the US, for which it paid $3.6bn last September. It will heighten fears in London that the issue of dollar-denominated warrant bonds in the Euromarkets by Japanese companies will decline substantially in the next few months.

The surge of yen warrant bond issues has come partly because interest and exchange rate trends have made it cheaper for Japanese *companies to make issues in yen* rather than in dollars which are then swapped into yen.

Also, the Japanese Ministry of Finance has been encouraging companies to issue their warrant bonds in Tokyo rather than overseas, claiming that such a move would give investors greater protection than they have now. There have been complaints that spreads in the over-the-counter market in the warrants have been too large.

The UK authorities have requested that the ministry structure such moves to avoid discrimination against foreign securities firms that deal in the bonds and warrants.

The flow of yen warrant bond issues, which began slowly last spring, is still small compared to that of dollar warrant bonds. However, the issues by Sony and Nippon *Steel are expected to affect* others' plans.

Among other companies planning yen warrant bond issues in Tokyo are Ibiden (Y15bn), Nippon Steel Chemical (Y15bn), Sanyo Chemical (Y15bn), Nihon Cement (Y45bn), Komori Printing (Y20bn), Ricoh (Y30bn), Fuji Fire and Marine Insurance (Y20bn) and Nippon Yusen (Y30bn). However, another 12 companies have announced plans for dollar warrant bond issues and a further eight in European currencies.

German mortgages go offshore

Katharine Campbell examines a bold initiative from Deutsche Bank

The relatively quiet launch this month of the first Eurobond from the Europäische Hypothekenbank (EHB) constitutes a largely overlooked, but potentially important, Euromarket innovation.

For the DM100m tap issue, by a new Luxembourg mortgage bank formed by Deutsche Bank, marks the first attempt to introduce to the offshore market a security modelled on the so-called West German "Pfandbriefsystem" (roughly, mortgage bonds).

The German banks have failed so far to get their own way in the implementation of a European Community-wide directive on mortgage banking, allowing them to expand their profitable domestic refinancing business internationally. So Deutsche Bank has come up with its own independent solution for the repackaging of international loans and mortgages. Whether the new – and as yet very modest – venture titillates Euromarket investors remains to be seen.

The new bond carries a coupon of 7.75 per cent and is priced at issue at 100.25, yielding 7.69 per cent, roughly 30 pfennigs less than a corresponding domestic mortgage bond – which, despite the tax advantages of Eurobonds, is not generous, according to several international investors.

"More than half" the issue has been placed, says EHB. It is currently quoted in the market on a yield, at fees, of 7.98 per cent. As a comparison, five year Bundesobligationen yield around 7.87 per cent, and an index of average yields on AAA bonds with five years remaining maturity is 8.21 per cent.

However, officials at the EHB stress that there are plenty of investors who care more for security than yield and liquidity, who will buy the paper.

EHB was set up in April last year, by Deutsche Bank in partnership with its Luxembourg subsidiary and the group's German mortgage banks. Its aim is to take advantage of the rock-solid structure of domestic mortgage securities, while attaining a measure of flexibility not conferred on issuers under German mortgage law.

The concept looked more attractive a year ago when the German Government was in the middle of implementing the 10 per cent withholding tax on domestic securities. When the tax was abruptly withdrawn months later, the allure of the Luxembourg subsidiary, which could have issued securities free of the tax, may have waned somewhat. But Deutsche Bank decided to go ahead anyway.

The bank argues that the increasingly international flavour of public sector funding in the Community, and the prospect of capitalising on cross-border real-estate funding requirements in the medium or longer term, provides the motivation for the new venture. And, starting with the refinancing of public sector loans, EHB officials are aiming for a margin of at least 10 pfennigs, which by domestic standards is attractive.

They plan a modest new issue programme of between DM250m and DM500m this year, refinancing loans to countries belonging to the EC and Organisation of Economic and Cultural Development as well as German states. Because of big differences in property law among the various Community members, the bank is initially planning only public sector loans. It will be at least a year before the legal twists of arranging mortgage collateral are sorted out.

The trick is to largely replicate the structure of the domestic instrument. Kommunalobligationen (public sector bonds) and Pfandbriefe (mortgage bonds) account for as much as half the total outstandings in the domestic fixed-income market, and represent the secure investment beloved of the highly conservative German investor.

Though these bonds are issued by mortgage banks refinancing long-term public sector and real-estate loans, they are not to be confused with the asset-backed securities more familiar to international investors. The German securities are not collateralised by a specific pool of mortgages or other loans. Instead, all outstanding issues are covered by the one, considerably diversified, pool.

Stringent legal requirements regarding the nature of their collateralisation ensure a higher degree of security. For instance, the mortgage may not exceed 60 per cent of the value of the property; the weighted average maturity of the loans and the bonds must be exactly matched; and bond holders have priority if the mortgage bank should become insolvent. All these criteria are monitored by a government-appointed trustee.

The idea is to transfer this concept to the Euromarkets, without some restrictions that apply under German law. Domestic mortgage banks can only refinance loans to EC member states and institutions, whereas the new venture proposes also to refinance loans to other OECD entities.

Domestic institutions cannot refinance mortgages on foreign property, and are only allowed to issue securities in D-Marks. EHB has said it would consider issuing in other currencies, particularly if currency swap terms were unattractive.

But how broadly the bank will be able to distribute these securities remains an open question. Large institutional investors have been chary of the domestic Pfandbriefe, because most of the issues are small and so the market is relatively illiquid. Even when the spreads against bunds (government bonds) have widened considerably – because of a surge in foreign demand for bunds – institutional investors have been reluctant to step in and take advantage of the disparity.

So it will be a while before the customer base expands beyond the private investors and small funds, which have so far absorbed the paper.

Swiss foreign lending declines by 17%

By John Wicks in Zurich

THE VOLUME of foreign borrowings in Switzerland dropped 17 per cent last year to SFr42.2bn ($28.3bn), according to annual capital market figures released by the Swiss National Bank.

The decline was due mainly to a 21 per cent fall from SFr40bn to SFr31.7bn in the issue of bonds and notes, which the bank attributes to interest rate uncertainty.

There was also a large change in the structure of foreign capital market borrowings. This was marked by a drop in the volume of straight issues to some 30 per cent of the whole, while convertibles and warrant issues increased their share from 28 to 57 per cent and 7 to 14 per cent respectively. The share of privately placed notes in the total also rose sharply, from 54 to 74 per cent.

The remainder of the capital-export total was accounted for by bank loans, which declined by 2 per cent to SFr10.7bn, or to 25 per cent of the whole, compared with 21 per cent in 1988.

A geographical breakdown shows that Japanese borrowers accounted for almost half the Swiss capital exports compared with 31 per cent in the previous year. For convertible loans the Japanese share was 96 per cent.

For other regions, West European and American borrowings showed marked declines, while eastern Europe's share jumped from 3 to almost 8 per cent. Development organisations' share also jumped, from some 3 to 5 per cent over the year.

Monte Carlo bank closed

THE French Banking Commission has taken over Banque Industrielle de Monaco because the financial condition of the Monte Carlo-based bank has deteriorated due to speculative operations and doubtful loans, Reuter reports.

The Bank of France said the commission has appointed a *temporary manager, Mr André* Mouillon, who has closed the bank's doors pending an audit. The manager will work actively with the Monaco authorities to find a solution that will enable the bank to be reopened.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section	Monday Jan 29 1990 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1990 to date	Fri Jan 26 Index No.	Thu Jan 25 Index No.	Wed Jan 24 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (203)	897.07	+0.2	12.66	4.75	9.62	1.34	895.30	890.85	887.31	897.58
2	Building Materials (27)	1087.22	-0.1	14.48	5.20	8.61	0.36	1088.64	1076.28	1078.10	1122.45
3	Contracting, Construction (36)	1519.31	-0.2	16.33	5.19	8.02	0.14	1522.72	1513.04	1513.45	1659.16
4	Electricals (10)	2585.17	+0.3	10.41	4.81	12.08	0.00	2577.82	2571.40	2590.17	2635.59
5	Electronics (30)	1959.26	+0.5	9.17	3.69	14.10	9.76	1949.50	1929.54	1917.83	2024.47
6	Engineering-Aerospace (6)	454.54	+0.2	13.22	4.86	9.34	0.04	453.79	450.72	452.27	0.00
7	Engineering-General (45)	479.02	+0.1	11.68	4.89	10.33	0.34	478.64	476.63	475.79	0.00
8	Metals and Metal Forming (6)	471.43	+1.3	25.01	6.38	4.51	0.00	465.41	462.46	463.63	511.21
9	Motors (16)	383.77	+0.4	13.82	5.50	8.49	0.00	382.28	379.21	379.86	300.17
10	Other Industrial Materials (25)	1619.26	+0.1	10.42	4.46	11.14	3.80	1617.44	1619.31	1600.30	1516.55
21	CONSUMER GROUP (178)	1286.58	+0.5	8.82	3.69	14.17	2.10	1280.52	1271.06	1264.39	1160.59
22	Brewers and Distillers (22)	1515.37	-0.5	9.45	3.47	13.13	6.54	1522.47	1503.49	1497.35	1265.72
25	Food Manufacturing (19)	1129.61	+0.4	9.60	3.91	12.93	1.70	1124.89	1123.35	1116.16	1037.73
26	Food Retailing (16)	2297.21	+0.3	8.83	3.30	14.69	3.63	2291.44	2285.73	2264.09	2067.60
27	Health and Household (13)	2545.09	+0.9	6.15	2.57	19.35	0.20	2522.27	2501.54	2477.89	2055.14
29	Leisure (33)	1626.85	+0.9	8.27	3.64	14.89	0.54	1612.65	1599.92	1592.31	1518.76
31	Packaging & Paper (14)	576.86	+0.1	11.49	4.99	10.92	0.98	576.51	576.24	574.32	588.40
32	Publishing & Printing (17)	3566.99	+0.3	8.79	4.95	14.69	20.50	3556.66	3558.86	3531.68	3647.49
34	Stores (31)	784.84	+1.0	11.13	4.78	11.69	0.25	777.82	766.58	770.49	789.72
35	Textiles (13)	519.69	+0.8	11.12	5.77	10.90	0.80	515.62	511.49	508.15	522.48
40	OTHER GROUPS (103)	1172.79	+0.8	10.90	4.77	10.99	0.30	1163.40	1157.83	1151.74	1032.46
41	Agencies (16)	1553.96	......	6.79	2.31	18.08	0.05	1554.38	1543.66	1515.81	1193.19
42	Chemicals (22)	1213.73	+0.7	12.50	5.30	9.43	0.27	1205.56	1206.52	1196.62	1161.92
43	Conglomerates (13)	1617.69	+0.8	11.11	6.06	10.58	0.00	1604.53	1593.50	1589.54	1431.04
44	Transport (13)	2291.28	+1.2	10.56	4.19	12.07	2.88	2263.53	2257.31	2242.84	2168.20
46	Telephone Networks (2)	1221.11	+1.9	10.40	4.20	12.50	0.00	1198.61	1187.92	1184.08	1138.55
47	Water (10)	2000.79	+0.6	17.42	6.77	6.36	0.80	1989.53	1978.73	1999.83	0.00
48	Miscellaneous (27)	1861.73	-0.3	9.52	4.41	11.85	0.91	1867.47	1863.86	1848.61	1420.91
49	INDUSTRIAL GROUP (484)	1168.09	+0.5	10.42	4.29	11.75	1.37	1162.20	1154.98	1149.54	1074.96
51	Oil & Gas (16)	2371.12	+0.6	9.10	4.82	14.52	6.21	2356.42	2308.09	2268.06	1942.09
59	500 SHARE INDEX (500)	1268.48	+0.5	10.23	4.36	12.08	1.75	1261.88	1251.49	1243.38	1148.75
61	FINANCIAL GROUP (114)	838.01	+0.6	–	5.07	–	0.35	833.02	821.25	829.10	754.09
62	Banks (9)	881.86	+1.1	19.45	5.69	6.76	0.00	872.31	856.85	868.38	759.66
65	Insurance (Life) (7)	1401.55	+0.2	–	4.74	–	0.00	1398.94	1368.38	1363.17	1066.15
66	Insurance (Composite) (7)	705.03	+0.3	–	5.36	–	0.00	703.14	689.05	710.71	591.99
67	Insurance (Brokers) (6)	1142.32	-0.2	6.50	5.52	20.47	0.00	1144.67	1133.73	1138.49	1010.93
68	Merchant Banks (8)	481.07	+0.2	–	3.70	–	0.00	479.88	478.18	479.26	343.71
69	Property (49)	1190.29	+0.6	7.70	3.62	16.42	0.94	1183.77	1178.06	1173.31	1309.59
70	Other Financial (28)	333.34	......	12.64	6.32	10.37	1.44	333.19	333.22	333.81	385.08
71	Investment Trusts (68)	1229.97	+0.3	–	2.96	–	0.45	1226.90	1218.06	1212.32	1058.37
91	Overseas Traders (5)	1431.55	-2.8	10.64	6.39	11.06	30.79	1472.40	1482.76	1488.81	1374.85
99	ALL-SHARE INDEX (687)	1164.32	+0.5	–	4.44	–	1.55	1158.48	1148.05	1143.55	1051.10

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jan 26	Jan 25	Jan 24	Jan 23	Jan 22	Year ago
FT-SE 100 SHARE INDEX‡	2328.8	+14.3	2333.3	2317.5	2314.5	2289.9	2278.6	2291.1	2297.1	2042.9

FIXED INTEREST

	PRICE INDICES	Mon Jan 29	Day's change %	Fri Jan 26	xd adj. today	xd adj. 1990 to date
	British Government					
1	Up to 5 years	115.16	+0.11	115.03	–	1.33
2	5-15 years	125.54	+0.37	125.08	–	1.19
3	Over 15 years	135.29	+0.53	134.58	–	0.00
4	Irredeemables	152.73	+0.73	151.67	–	0.00
5	All stocks	124.72	+0.30	124.34	–	1.13
	Index-Linked					
6	Up to 5 years	141.27	+0.25	140.91	–	0.00
7	Over 5 years	137.62	+0.22	137.32	–	0.47
8	All stocks	137.77	+0.22	137.47	–	0.44
9	Debentures & Loans	102.61	-0.06	102.67	–	0.31
10	Preference	82.25	-0.32	82.51	–	0.16

	AVERAGE GROSS REDEMPTION YIELDS		Mon Jan 29	Fri Jan 26	Year ago (approx.)
	British Government				
1	Low	5 years	10.64	10.75	9.11
2	Coupons	15 years	10.17	10.23	8.90
3		25 years	10.04	10.10	8.83
4	Medium	5 years	11.69	11.75	10.07
5	Coupons	15 years	10.54	10.61	9.34
6		25 years	10.15	10.22	9.00
7	High	5 years	11.84	11.88	10.32
8	Coupons	15 years	10.75	10.82	9.49
9		25 years	10.29	10.37	9.04
10	Irredeemables†		10.08	10.16	8.84
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	4.08	4.16	3.55
12	Inflation rate 5%	Over 5 yrs.	3.78	3.79	3.66
13	Inflation rate 10%	Up to 5 yrs.	3.16	3.23	2.69
14	Inflation rate 10%	Over 5 yrs	3.61	3.62	3.49
15	Debs &	5 years	13.30	13.17	11.73
16	Loans	15 years	12.71	12.63	11.26
17		25 years	12.70	12.63	10.91
18	Preference†		11.28	11.21	10.11

‡Opening index 2317.5; 10 am 2328.1; 11 am 2328.1; Noon 2332.6; 1 pm 2331.6; 2 pm 2331.2; 3 pm 2331.5; 3.30 pm 2326.9; 4 pm 2328.9
(a) 11.36am (b) 9.00am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 34p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	90	5	5
Corporations, Dominion and Foreign Bonds	7	1	30
Industrials	412	310	890
Financial and Properties	198	132	368
Oils	36	18	40
Plantations	1	2	7
Mines	48	41	72
Others	58	91	101
Totals	850	600	1,513

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am't Paid up	Latest Renunc Date	1989/90 High	1989/90 Low	Stock	Closing Price	+or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
§100	F.P.	–	101	95	Abtrust New Thai Inv.	97	-1	–	–	–	–
‡	F.P.	–	61	45	Do. Warrants	52	+1	–	–	–	–
§75	F.P.	–	91	81	‡Air London 5p	88	+2	R2.25	2.5	3.4	13.3
–	F.P.	–	1½	½	‡Atlantic Res. Warrants	1½		–	–	–	–
–	F.P.	–	4½	1	Bear Brand Warrants	3½	+½	–	–	–	–
§42	F.P.	–	45	37	*Biocure 1p	37		–	–	–	–
†	F.P.	–	300	300	*Chartwell Group £1	300		N1.0	–	0.4	–
†	F.P.	–	215	215	*Citybond Storage Serv.£1	215		–	–	–	–
–	F.P.	–	49	39	First Philippine Inv. Tst.	41	+1	–	–	–	–
–	F.P.	–	22	18	Do. Warrants	18	-1	–	–	–	–
†	F.P.	–	99	97	Gartmore Emg. Pac. 10p	98	+1	N0.1	–	0.2	–
–	F.P.	–	26	23	Do. Warrants	26	+2	–	–	–	–
§100	F.P.	–	108	103	Grosvenor Dev. Cap.	107		–	–	–	–
§38	F.P.	–	43	38	*Image Store Hldgs. 10p	42		–	–	–	–
§	F.P.	–	600	461	JF Philippine Fd $1	461	-21	–	–	–	–
§	F.P.	–	265	193	Do. Warrants	208	-18	–	–	–	–
†	F.P.	–	658	616	Kyowa Bank Y50	658	+16	Q14%	4.7	0.4	47.4
100	F.P.	–	103	99	Lon. & New York Cr. Tst.	99		N6.38	–	8.6	–
$10.5	F.P.	–	660	610	Malaysian Smllr. Co's Fd.	610	-8	–	–	–	–
§	F.P.	–	276	233	Do. Warrants	253	-3	–	–	–	–
†	F.P.	–	27	22	Merlin Intl Green Wrnts	27		–	–	–	–
§75	F.P.	–	78	68	‡Mickledgate Group 1p	70	+2	R2.25	3.4	4.3	8.2
240	100	–	182	100	Northumbrian Water	180	+2	R16.1	3.6	6.7	4.5
55	F.P.	–	72	55	*Oxford Virology 5p	64		–	–	–	–
90	F.P.	–	95	91	Plateau Mining 20p	91		–	–	–	–
†	F.P.	–	11	10	*Polysource Hldgs. 5p	10		–	–	–	–
240	100	–	157½	100	Severn Trent	147	+2	R14.85	3.0	6.9	4.9
§25	F.P.	–	40	25	‡Storm Group 1p	36		–	–	–	58.1
†	F.P.	–	16½	12½	‡Surrey Group 5p	14	+½	R0.23	3.3	2.1	13.2
†	F.P.	–	195	195	Sutton Dist. Water A 1p	195		–	–	–	–
†	F.P.	–	130	130	Do. B 1p	130		–	–	–	–
240	100	–	169	100	Thames Water	155		R14.98	2.4	6.6	7.1
£2400	£1000	–	£1670	£1000	Water Package Units	£1623	+23	–	–	–	–
240	100	–	182	100	Wessex Water	177	+3	R15.21	2.6	6.4	8.6
240	100	–	186	100	Yorkshire Water	176	+2	R15.42	2.4	6.5	7.1

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc Date	1989/90 High	1989/90 Low	Stock	Closing Price £	+ or -
–	F.P.	–	85p	73p	Bear Brand 10¼pc (Net) Cv.Cm.Pf.	73p	
99.94	F.P.	–	99¼	94¼	British Inv. Tst. 11¼pc Sec. Db 2012	94¼	
89.65	£30	–	30½	28¾	Brixton Ests. 10⅞pc 1st Mtg Db 2012	28¾	
§99.68	F.P.	–	100½	95¾	Foreign & Col. 11¼pc Db. 2014 £100	95¾	
§	£50	–	56	53	Grosvenor Dev. Cap. 7½pc Uns.Ln.1999	55	
100	F.P.	–	100	97	Omnitech 12pc Cv.Uns.Ln 2000	97	

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc Date	1989/90 High	1989/90 Low	Stock	Closing Price p	+ or -
280	Nil	5/3	27pm	17pm	Cook (Wm.) 20p	17pm	-3
110	Nil	5/3	14pm	8pm	Fisher (A.) 5p	10pm	
100	Nil	28/2	8pm	¼pm	Medeva 10p	¼pm	
90	Nil	–	3pm	2pm	Plateau Mining 20p	3pm	+1
670	Nil	–	98pm	95pm	Rank Organisation	97pm	
11	F.P.	27/2	12½	10	‡Wharfedale 10p	10	

a Annualised dividend b Figures based on prospectus estimates d Dividend rate paid or payable on part of capital, cover based on dividend on full capital g Assumed dividend and yield. q Earnings based on preliminary figures. s Dividend and yield exclude special payment u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990-91. L Estimated annualised dividend cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1990. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ▼ Issued by tender. § Offered to holders of ordinary shares as a "rights". † Introduction. ¶ Placing price. †† Reintroduction. ‡ Unlisted securities market. * Third Market.

TRADITIONAL OPTIONS

● First Dealings Jan 22
● Last Dealings Feb 2
● Last Declarations Apr 26
● For settlement May 8

For rate indications see end of London Share Service

Calls in Babcock Intl., Claremont (UK), ASDA, Vaal Reefs, Mountleigh, Amstrad, Kelt Energy, Conder, Butte Mining and Pennant Props. Put in Intl. Business Comms. Call and Put in British & Commonwealth.

LONDON TRADED OPTIONS

THE OPTIONS market had an *active start to the week yesterday*, although volume did not match the levels at the beginning of the previous week. Trading featured Ferranti, BP and, towards the close of the session, Cadbury Schweppes.

The total market traded some 22,000 contracts, with business spread between 13,682 calls and 8,385 puts.

The Footsie index option had a comparatively quiet day against a cash market which closed a little better than 14 points higher at just under 2329.

The index traded 5,136 contracts, more than half of them on the puts side; the busiest FT-SE series was *January 2300* puts, which traded 405 contracts.

The big trades of the day were in Ferranti – a total of 2,672 contracts.

The busiest Ferranti series was May 40 calls which ran up 2,005 contracts in 14 individual trades. There was but a single put trade in the May 40 series.

BP also featured, with business mainly in the April and October series.

April 330 calls traded 654 contracts, with 503 in the 330 puts. October 330 calls saw 285 contracts in seven individual trades and 330 puts 260 contracts. BP's *total volume was 2,020 contracts.*

The Cadbury Schweppes activity came late in the trading day, following movement in the underlying share price. The option traded 1,035 contracts, with business mainly concentrated in the February 360 calls.

There was some puts business, mostly in the February and May 330 series. *Call business totalled* 720 contracts against a 306 puts.

Other individual business to catch the eye was in Hanson and GEC.

Open interest on the day was 736,911 for all classes and 118,711 for the Footsie.

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Allied Lyons (*496)	460	60	68	83	6½	16	20
	500	33	43	60	23	32	35
	550	12	22	37	55	62	65
ASDA (*112)	110	12	17	19	7½	10	10
	120	9	13	16	14	16	15
Brit. Airways (*204)	180	33	35	40	3	5	7½
	200	18	22	28	8	12	13
	220	8	13	19	18	23	26
Brit. Com (*78)	80	11	13	18	9	12	15
	90	5	9	12	18	20	21
SmKl Beecham A (*555)	500	72	88	105	6	11	13
	550	37	55	72	20	25	30
	600	16	31	48	50	54	57
Boots (*272)	260	27	32	39	7	10	14
	280	14	20	29	15	20	23
B.P. (*335)	300	41	48	56	3½	5	7
	330	19	27	35	9	13	17
	360	7	13½	–	29	30	–
British Steel (*134)	130	–	13	16	–	7	7
	135	7½	–	–	5½	–	–
Bass (*1040)	1000	85	113	145	20	30	35
	1050	55	83	112	37	50	57
	1100	32	57	–	68	77	–
C & Wire (*550)	500	75	94	112	10	18	21
	550	42	60	80	28	35	40
	600	21	36	–	58	63	–
Cons. Gold (*1490)	1450	55	–	–	3	–	–
	1500	5	–	–	20	–	–
Courtaulds (*387)	360	45	53	61	7	15	16
	390	26	35	43	19	27	30
	420	12	20	–	38	44	–
Com. Union (*498)	460	46	61	72	11	15	17
	500	22	36	45	24	29	36
GKN (*431)	420	32	47	55	20	28	33
	460	15	28	36	47	53	55
Grand Met. (*622)	600	57	78	92	18	25	30
	650	29	49	63	45	48	53
I.C.I. (*1090)	1050	75	105	122	36	43	55
	1100	45	78	97	60	68	78
	1150	28	53	–	99	102	–
Jaguar (*849)	800	–	52	–	¼	½	–
	850	½	½	–	–	–	–
Kingfisher (*288)	280	25	32	39	11	18	21
	300	12	21	29	23	28	31
Ladbroke (*322)	300	37	43	54	6	10	13
	330	19	29	36	18	23	29
Land Secur (*506)	500	33	43	58	17	24	30
	550	13	22	35	50	55	60
M & S (*199)	180	27	28	34	2½	5	6
	200	11	17	22	9	12	14
	220	4	8	–	23	24	–
STC (*252)	240	23	32	39	12	15	18
	260	12½	22	28	23	26	29
Sainsbury (*259)	240	30	34	42	4½	6	8
	260	16	21	31	11	13	15
Shell Trans. (*469)	460	27	45	52	17	20	27
	500	10	21	–	45	47	–

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Storehouse (*116)	110	15	17	21	5	8	10
	120	6½	11	15	9	13	15
Trafalgar (*338)	330	32	38	50	15	23	25
	360	17	25	35	32	42	44
Utd. Biscuits (*347)	330	28	40	48	10	14	16
	360	13	25	31	27	30	37
Unilever (*670)	650	46	66¼	86½	14¼	19¼	22¼
	700	19½	38¼	58	40¼	44¼	47¼
Ultramar (*377)	360	35	48	60	13	18	22
	390	18	33	45	30	35	35
Option		Feb	May	Aug	Feb	May	Aug
Brit Aero (*544)	500	52	65	85	4	20	25
	550	18	35	57	20	42	47
BAA (*399)	390	17	38	45	8	15	20
	420	5	22	29	25	32	38
BAT Inds (*799)	750	60	90	110	4	15	22
	800	25	56	82	19	35	43
	850	8	35	58	57	65	68
BTR (*438)	420	26	40	56	4	15	18
	460	4½	21	33	27	35	36
Brit. Telecom (*297)	280	19½	32	39	2	5½	8½
	300	6	19½	25	9	12½	16
	330	1	7	11	35	36	37
Cadbury Sch (*352)	300	55	61	73	1½	5	8
	330	27	39	53	5	12	17
	360	11	23	26	17	29	31
Guinness (*655)	650	23	41	63	15	30	33
	700	4	22	38	48	51	63
GEC (*240)	240	6½	18	24	7½	10½	14½
	260	2	9	–	23	24	–
Hanson (*226)	220	10	21	25	3½	6½	9½
	240	1½	10	15	16	17½	18
LASMO (*598)	550	58	83	100	4	13	18
	600	23	47	70	17	28	38
P. & O. (*608)	600	22¼	42	60¼	9¼	27½	31½
	650	4½	20½	35	47½	99	61
Pilkington (*222)	220	10	22	25	6	10	16
	240	2	13	16	19	23	28
Prudential (*220)	220	7	13	20	8	13	16
	240	2	6	12	23	26	28
Racal (*219)	210	17	27	–	5½	9½	–
	220	–	–	28	–	–	18
R.T.Z. (*527)	500	–	54	67	–	15	20
	542	16	–	–	25	–	–
Scot. & New (*325)	300	29	43	55	3½	8	15
	330	9½	28	35	15	22	28
Tesco (*199)	180	21¼	27	33½	1¼	3½	4½
	200	6	14	20¼	5¼	10¼	12
Option		Mar	Jun	Sep	Mar	Jun	Sep
Abbey Nat. (*184)	180	11	16	20	7	10	12
	200	2	8	–	22	25	–
Option		Feb	May		Feb	May	
Plessey (*268)	260	11	–	–	½	–	–
	280	¼	¼	–	–	–	–
Option		Mar	May	Aug	Mar	May	Aug
Ferranti (*41)	40	5½	8½	–	5	6	–
	45	3½	6	–	8	9½	–

Option		Calls Mar	Calls May	Calls Aug	Puts Mar	Puts May	Puts Aug
Polly Peck (*407)	390	38	48½	64½	13½	21½	26½
	420	21½	31	47½	27½	36½	42
Thames Water (*155)	140	19	22	28	½	3½	6
	160	6½	10	16	9	11	16
	180	2	5½	–	26	26	–
Water Hldg Plg (*£1623)	1600	90	130	170	56	61	120
	1650	60	100	140	70	80	135
	1700	40	80	–	110	110	160
Option		Feb	Apr	Jun	Feb	Apr	Jun
Reuters (*1014)	1000	43	78	104	20½	40½	48½
	1050	19	53	77	48½	66½	73½
Option		Mar	Jun	Sep	Mar	Jun	Sep
Amstrad (*49)	45	8	11½	14	4	5½	7
	50	4½	8½	11½	6	8	9½
Barclays (*559)	550	28	45	53	22	30	37
	600	7	23	32	60	62	65
Blue Circle (*236)	220	24	27	33	4½	11	15
	240	–	16	23	–	22	27
British Gas (*224)	220	11	[illegible]	24	6	9	12
	240	2½	10	14	20	22	24
Dixons (*126)	120	9	17	21	2½	7	9
	130	4½	12	15	7	11	14
Glaxo (*734)	725	43	69	–	22	32	–
	750	28	56	79	35	45	50
Hawker Sidl. (*683)	650	65	82	105	16	22	37
	700	33	52	75	37	47	57
Hillsdown (*272)	260	21	29	40	6	10	13
	280	11	18	28	15	19	21
Lonrho (*279)	260	30	44	–	6	11	–
	280	17	32	38	12½	19	22
Midland Bk (*379)	360	30	40	45	15	25	28
	390	10	28	33	35	40	45
R. Royce (*179)	160	24	27	34	2	5	6½
	180	9	14½	21	8	13½	15
Sears (*103)	100	8	10	14	3	5	7½
	110	3	6	9	9	12	13
THF (*293)	280	24	30	40	5	13	15
	300	12	19	29	13	22	24
Thorn EMI (*779)	750	50	82	89	14	23	37
	800	22	50	60	42	45	59
TSB (*140)	130	12	19	20	3	6	7
	140	5	11	15	8	9	10
Vaal Reefs (*$133)	130	12	20	22	9	15	15
	140	8	14	18	14	21	23
Wellcome (*730)	700	63	100	125	27	45	53
	750	40	73	100	53	67	78

FT-SE INDEX (*2332)

	2100	2150	2200	2250	2300	2350	2400	2450
CALLS								
Jan	233	183	135	85	36	5½	1	½
Feb	247	203	158	116	77	49	23	15
Mar	264	222	180	141	107	78	55	37
Apr	–	–	–	162	127	99	76	56
Jun †	313	–	234	–	162	–	110	–
Dec †	–	–	320	–	252	–	200	–
PUTS								
Jan	1	1	1½	2½	5½	30	70	122
Feb	10	13	18	26	40	64	93	132
Mar	17	23	31	42	56	78	107	143
Apr	–	–	–	50	65	88	118	152
Jun †	29	–	46	–	75	–	128	–
Dec †	–	–	83	–	115	–	160	–

January 29 Total Contracts 22,067
Calls 13,682 Puts 8,385
FT-SE Index Calls 2276 Puts 2860
*Underlying security price. † Long dated expiry mths

UK COMPANY NEWS

US losses prompt 22.5% decline at John Menzies

By Maggie Urry

LOSSES IN its US business led John Menzies, the retail and wholesale group, to sustain a 22.5 per cent drop in pre-tax profits in the half year to end-October.

On sales up 13 per cent to £410m, pre-tax profits fell from £4m to £3.1m. Earnings per share were down 45 per cent at 2p.

Mr John Menzies, chairman, warned last September that first half profits would be flat but the market had not expected the downturn and the shares fell 17p to close at 316p.

However, Mr Menzies said that Christmas sales had matched forecasts and he foresaw "an acceptable result at the year end".

The group has changed its year end to April, and most of group profits are made in the second half.

Trading losses from the US, where the group has a chain of 91 Early Learning Centre shops selling educational children's goods, increased from £2.1m to £3.2m.

Mr Ranald Noel-Paton, managing director, said sales volumes were too low and a number of options were currently being reviewed.

In the UK trading profits rose from £7.6m to £7.9m. Trading conditions in retailing were difficult, said Mr Noel-Paton: the hot summer weather had held back sales growth and the train strikes, which affected the group's station bookstalls, had cost £100,000 a day in lost sales.

Nonetheless the John Menzies chain had increased sales by 6.5 per cent on a like-for-like basis and the Hammicks bookshops saw sales up 12 per cent. Sales of the UK Early Learning Centres had been 20 per cent higher.

The newspaper and magazine wholesale business had now settled down after the shake up of two years ago, although margins are lower.

Mr Noel-Paton said there had been a big increase in sales of the record, CD and video wholesaling business following the purchase of Wynd Up early in 1989.

The office supplies wholesale business had grown satisfactorily, and the group had formed a joint venture with Reliable Corporation of the US to expand in the mail order office supplies field in the UK and Europe.

The interim dividend is raised from 3p to 3.25p.

COMMENT

The sorry saga of the US Early Learning Centres seems unending, and it may be some time yet before it either comes right or is stopped, especially as the US retail scene is now gloomy. Menzies is convinced that the formula should work – as it does in the UK – but unfortunately the customers have yet to feel the same. Meanwhile, the UK end is suffering from the same economic misery as other retailers, though at least selling books and newspapers is less affected than most areas. In all the group may produce profits of £27m or so for the year. There is no comparative figure to work on, though in the 52 weeks to end January 1989 the group made £28.1m. A prospective p/e of 11.3 is not attractive.

Dewey Warren tops £11m

DEWEY WARREN, the financial services group, showed a substantial lift from £4.06m to £11.1m in pre-tax profits for 1989.

That included £2.54m exceptional credit from the sale of the investment in Morgan Grenfell. The operating profit took in £2.36m on the disposal of other investments.

In November the company announced the proposed acquisition of certain interests of Robert Fraser should not proceed, and extraordinary costs of £1.28m have been charged.

It was also decided that ways would be sought to maximise the company's potential for shareholders, including seeking an offer. A number of companies had shown interest and discussions were continuing.

Turnover advanced to £22.82m (£8.29m). Interest soared to £10.06m (£18,000).

Last February the group acquired Argyle Trust, whose major operating subsidiary is a second mortgage lender, at a cost of £28.49m.

The market for second mortgage finance was currently less buoyant because of high interest rates. The directors expected the situation to improve, however, and there was reason to expect the business and profitability of Argyle to accelerate in 1990.

A survival plan which backfired

Clay Harris looks at the changing fortunes of Southwest Resources

SOUTHWEST Resources, once Mr Max Lewinsohn's other company, this week steps in to share the spotlight with Dominion International Group, the financial services and property concern in the hands of court-appointed administrators.

Tomorrow, Southwest will announce results for the six months to September 30, the first figures to reflect its diversification from oil and gas into Hong Hong property management in the waning days of Mr Lewinsohn's regime.

Mr Lewinsohn was last August ousted as chairman less than a fortnight after his forced departure from Dominion, Southwest's largest shareholder at the time. He left Southwest after receiving a unanimous written notice to quit from fellow directors who rejected his contention that his position on the board was not tied to his role at Dominion.

Southwest bears little resemblance to the company which reported a £389,000 loss before tax at the interim stage in 1988-89, a deficit which deepened to £11m for the full year. Even Southwest's stockbroker has not forecast a result for tomorrow, and attention will focus less on the figures than on the board's signals about the group's future direction.

Last summer Southwest narrowly escaped a fate similar to Dominion's. "We were insolvent and there was a danger of bankruptcy," Mr Kenneth Keep, managing director, said.

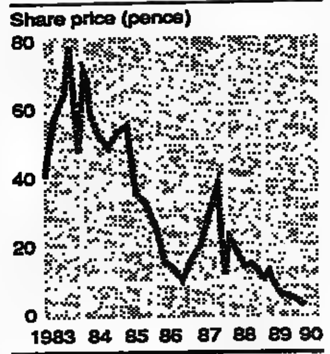
Survival was achieved through a three-part plan organised by Mr Lewinsohn. The company agreed to buy Dominion's Hong Kong-based Guardian Property Management for £6.8m in shares and asked shareholders for £10.4m through a five-for-two rights issue at 8p. The third element was a £20.9m capital reduction.

Together, the moves were intended to offset the cost of writing down Southwest's US oil and gas reserves. In its 1988-89 accounts, the balance sheet showed net assets of only 1.4p per share but a pro forma post-rights figure of 4.2p.

The shares-out, cash-in combination resembles what Mr Lewinsohn later tried at Dominion: the sale of Film Finances, the film production guarantor, for cash and the acquisition of York Associates, a US mortgage services company, for paper.

Mr Lewinsohn's insistence that Dominion could have been saved if the plan had not been dropped after his departure is contested by Dominion's new management.

One question which remains is how could the Guardian deal have been in the interests both of Dominion and Southwest shareholders? "It was a delicate balance," says Mr Keep.



The transaction was opportunistic, he admits. "We knew that it [Guardian] was cash positive, generating small profits and available for sale entirely for shares." But Mr Keep insists that Southwest paid a "fullish" price and notes Dominion took out a £1.5m cash dividend before the sale.

What is certain is that the deal backfired badly on Dominion. It had cut its Southwest stake from 65 per cent in 1983 to 19.6 per cent last May.

In addition to accepting shares for Guardian, Dominion agreed to take up its proportion of the rights issue and to underwrite the rest. When other shareholders shunned the cash call, its stake soar to 45 per cent, or 120m shares.

The flop sent Southwest shares lower, a trend which worsened when Dominion became a forced seller.

In September, under pressure from its bankers to raise cash, Dominion sold 80m shares at only 3.4p each to Mr Clive Mattock, executive deputy chairman of UTC, the corporate finance house, the family trusts of Mr Nigel Wray, the tipsheet publisher and clients of UTC Securities.

In November, Dominion sold another 20m shares at 4p to institutional clients of Williams de Broe, broker to both companies, leaving it with 20m shares, a 7.4 per cent stake.

Mr Lewinsohn yesterday noted he had raised £2m for Dominion by selling Southwest shares at 8p at the end of July and said he had received several firm offers from several parties to buy additional shares for between 6p and 7p.

Personally he retains only 13,542 Southwest shares, against the 1m he holds in Dominion.

Southwest has been responsible for most of the £12m which Dominion has written off against its natural resources interests in recent years. However Mr Keep suggests that the Guardian deal was "a drop in the ocean" in terms of determining Dominion's fate.

More O'Ferrall expands in Belgium via £5.9m deal

By David Owen

MORE O'FERRALL, the outdoor advertising contractor, is set to become the largest force in the Belgian market with the purchase of two local businesses for BFr338m (£5.85m) cash.

The London-based group has entered into a conditional agreement to acquire both the Visibility Group, which owns and leases outdoor advertising sites throughout Belgium, and a division of SA Madou Extension which provides postering, maintenance and building services for Visibility sites.

The deal promises virtually to double More O'Ferrall's share of the Belgian market to almost 25 per cent and to raise to a little below 20 per cent the proportion of overall group turnover derived from Belgium.

"It is an area we have always wanted to expand in but have been limited by the number of new-site opportunities," said Mr Trevor Maund, finance director.

On a less positive note, the transaction will raise the company's gearing to approximately 120 per cent. "We had an acquisition opportunity and had to move quickly in competition with other buyers offering cash," Mr Maund explained.

Profits from the acquired companies are expected to cover the related interest charges.

On completion of the deal, Mr Robert Arckens, Visibility founder, and other family members will resign from the company.

Mr Roger Parisel, manager responsible for More O'Ferrall's Belgian operations, will be appointed managing director of Visibility.

The conditional agreement provides for both BFr30m of assets and investments and BFr14m of net amounts owed from Mr Arckens and associates to be exchanged for cash prior to completion. This is expected to eliminate Visibility's borrowings as at June 30 1989.

As at December 31, Visibility owned or leased more than 1,000 20 sq m roadside advertising sites and 29,300 2 and 4 sq m sites chiefly in shopping areas. In the year ended June 30 1988, the group made pre-tax profits of BFr29.3m on turnover of BFr284m. Net assets at June 30 1989 were BFr68m.

More O'Ferrall shares were unchanged at 418p.

Brandon ahead to £0.58m

BRANDON HIRE, the Bristol-based plant hire company which came to the USM in September, reported pre-tax profits of £578,000 for the six months to October 31, an improvement of 15 per cent on the £503,000 for the corresponding period.

Mr Brian Nathan, chairman, said that after an excellent start for the tool hire division, increased pressure from interest rates on customers led to somewhat lower demand for the second half of the six month period. The catering and furniture hire division, however, continued to make encouraging progress and increased its share of group turnover.

Turnover showed a gain of 39 per cent from £1.99m to £2.77m. Interest payable doubled from £51,000 to £107,000 while tax took £202,000 (£176,000) leaving earnings of 4.6p (4.22p) per share. There is an interim dividend of 1.11p.

Sun Life personal pension premiums advance sharply

By Eric Short, Pensions Correspondent

SUN LIFE Group last year consolidated its position as a significant force in the UK pensions sector, writing its 5,000th Suntrust Plan (a self-administered director pension plan).

On all money purchase pension arrangements, including the new style personal pensions, new annual premiums rose some 8 per cent from £47.6m to £51.6m and single premiums doubled from £101.2m to £201.3m, including £45m in respect of arrangements used to contract-out of the State Earnings-Related Pension Scheme.

Within this figure, personal pensions themselves accounted for a 48 per cent rise in annual premiums from £8.8m to £13m and a jump in single premiums from £29m to £100.2m.

Life business written by the group in 1989 was dull by comparison.

New single premiums fell nearly 10 per cent from £23.9m to £22m, while single premiums rose by a fifth from £219.5m to £267.5m, boosted by a 30 per cent jump in single premium bonds to £219.5m.

Unit trust sales dropped by one third from £51.2m to £33.4m, offset by £13.4m of premium on the newly-launched Personal Equity Plan and a jump from £7.6m to £16.5m on contributions to its Business Expansion Schemes.

TR Trustees net assets rise

At the interim stage net asset value of TR Trustees Corporation stood at 175p, up from 147.2p a year earlier.

For the six months to November 30 earnings per share moved ahead from 1.73p to 2.2p. The interim dividend is increased from 1.2p to 1.5p, and a maintained final of 1.8p is forecast.

Total revenue was £7.5m (£6.4m), including franked income of £6.07m (£5.08m) and investment income of £1.08m (£901,000). The taxable outcome worked through at £5.56m (£4.27m).

Delaney sale

Delaney Group has contracted to sell its newly built freehold factory in Fleckney, Leicestershire. The cash proceeds of £625,000 will be used to repay the bridging finance.

UK COMPANY NEWS

Norfolk shareholders back board against coup

By Andrew Hill

SHAREHOLDERS IN Norfolk Capital Group yesterday supported their board against an attempted management coup, freeing directors to concentrate on fighting a hostile bid from rival hotel company Queens Moat Houses.

Norfolk later strengthened the executive membership of the board by appointing two new directors from within the group, despite the continued opposition of non-executive directors Lady Joseph and Mr Tony Good.

Queens Moat launched its £177m bid last Thursday, partially undermining the attempt by Balmoral International to take over the Norfolk board.

In spite of the changed circumstances, about 500 shareholders and advisers packed the London Press Centre yesterday to hear the board defend itself against Balmoral's accusations of a "dismal performance".

Balmoral, which owns about 13 per cent of Norfolk, decided to proceed with its attempt to instal three executives on the board, and oust Mr Peter Eyles, the managing director. But the private company abstained from voting for the controversial resolution that it should manage Norfolk on a five-year contract, linked to share options or performance fees. The plan was condemned by most shareholders who spoke and described by one as "clever and cheeky".

All six Balmoral resolutions were defeated following a poll and, excluding Balmoral, between 69 per cent and 92 per cent of the votes were cast in favour of the board.

Lady Joseph, who owns 7 per cent of the company, and Mr Good believe Mr Eyles should resign and voted to elect Mr Peter Tyrie, Balmoral's managing director, as a non-executive director.

But afterwards, Mr Dermot Fitzpatrick, an area director of Norfolk's core hotels business, and Mr Gavin Chittick, company secretary, were appointed as executive directors, despite opposition from Mr Good and Lady Joseph. Earlier, Mr Fitzpatrick had spoken strongly on behalf of Norfolk's employees and in support of Mr Eyles.

At the beginning of yesterday's meeting Balmoral's Mr Tyrie had said: "In the days and weeks to come it is vital that Norfolk's shareholders are represented on the board by a

Peter Tyrie: Balmoral's managing director

fresh, united well-focused team, rather than the tired, divided and poorly-focused management which has been responsible for Norfolk's rapid deterioration."

But most investors at the meeting seemed to agree with one shareholder who warned: "In the present circumstances, with Queens Moat just round the corner, the last thing we want to do is remove our managing director."

Hyman recommends US offer

By David Owen

CHESHIRE-BASED Hyman is poised to be taken over by ER Carpenter, a privately-held US polyurethane foam manufacturer. This follows the agreement of terms for a cash offer that values the troubled furniture foam and frozen food group at £15.84m.

Carpenter is offering 30p per unit for all Hyman shares it does not already own. Hyman directors have unanimously recommended that shareholders accept the bid, which represents a premium of 4p or about 15 per cent over last Friday's closing price.

The deal would enable Carpenter – its operations are currently concentrated in North America – to establish a European base for its foam activities.

For Hyman, battered by the pronounced downturn in UK furniture sales, the transaction would provide some much-needed financial reinforcement.

The group served notice yesterday that it made both a second half trading loss and an overall loss for the year to December 31. It blamed deteriorating trading conditions, as well as tough competition and rising raw material prices for its predicament.

Soaring interest costs, which more than tripled in the first six months, have compounded the group's problems, more than offsetting the impact of factory closures and other cost-cutting measures. Borrowings have ballooned to more than £18m.

In the six months to June 30 1989, Hyman made pre-tax profits of just £290,000 on turnover of £31.3m.

To enable a satisfactory working capital position to be maintained, Hyman is issuing to Carpenter 2.4m new shares at 30p in conjunction with the offer. Taking early irrevocable acceptances into account, Carpenter is in a position to control some 8.1m Hyman shares representing 15.34 per cent of enlarged issued share capital.

If successful, Carpenter anticipates leaving Hyman's current management essentially intact, but will probably add board members. "I would suspect we would wind up with a majority on the board," said Mr Art Markey, chief financial officer.

He said it was too early to say whether Carpenter would sell Hyman's frozen food business, which does not appear to square with its existing operations.

With turnover of $470m (£283.7m) in 1989, Carpenter is among the 400 largest US private companies.

The offer is being made by Rickett Mitchell & Partners on behalf of ER Carpenter plc, a new company in the course of formation. Accepting shareholders will be offered a sterling-denominated loan note alternative to part or all of their cash entitlement.

Hyman shares rose 2½p to 28½p.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Brandon Hire § ....int	1.11	Apr 27	-	-	-
Bullough ....fin	4.3	Apr 2	4*	6.05	5.67*
Ford Sellar ....int	2.5	Apr 6	1.5	-	5
Goring Kerr ....fin	10	-	10.5	15	15
Haynes Publishg ......int	4.5	Apr 30	4*	-	9.5*
Jacques Vert § ....int	4	Apr 6	-	-	11.5‡
Menzies (John) ....int	3.25	Apr 2	3	-	8†
TACE ....fin	7.75	-	8	11	11
Toothill (RW) ....int	nil	-	3.6	-	6.3
TR Trustees ....int	1.5	Mar 16	1.2	-	3
Westm'ter Scott§ ......fin	3	March	2.5	3	2.5
Yelverton Inv § ....fin	1	-	0.5	1	0.5

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market. ‡For 15 months.

Seacon to sell Milford Docks for £5.7m

By Clay Harris

SEACON HOLDINGS, the shipping and transport group based in London's Docklands, is to sell Milford Docks Company, the Welsh harbour operator, to Milford Haven Port Authority for £5.7m.

The deal brings the docks company into government ownership for the first time in its 116-year history.

Seacon's Third Market traded shares jumped 15p to 153p on the news that shareholders are to receive a special 20p dividend.

However, Seacon warned that it would take exceptional and extraordinary provisions totalling £1.1m relating to its investment in Vasco, a roll on/roll off operation between Southampton and the Iberian peninsula. The total included trading losses and writing off its investment.

Until its rescue by Seacon in 1987, Milford was the oldest public company in Wales, with a history of boardroom squabbles stretching back more than three decades. Its affairs are the subject of a Department of Trade and Industry investigation announced on June 30 last year.

The improvement in Milford's fortunes was underlined yesterday with the announcement of pre-tax profits of £603,000 on turnover of £1.14m in the year to September 30. But Seacon said this result would have been only £175,000 if volumes had not soared during the national dock strike.

In the previous 12 months, the first under Seacon's ownership, Milford broke into the black for the first time in many years with a £78,000 profit.

A pre-disposal dividend to Seacon of £466,000 net of ACT, raises its total cash proceeds to £6.17m.

Seacon's all-share bid in 1987 valued Milford at £561,600. Since then, it has invested £2.7m in the docks. Seacon intends to distribute more than half of its £2.3m capital gain direct to shareholders along with the interim dividend for the current financial year.

British Vita buys Brinkhaus

By John Thornhill

British Vita, the Manchester-based polymer, foam and fibre group, has further expanded its activities in the West German market by buying the industrial division of Brinkhaus, a consumer products company.

The acquisition has been made through Libeltex, Vita's Belgian subsidiary, which claims to be Europe's largest fibre processing company.

Brinkhaus' industrial division, based at Warendorf, near Munster, makes pre-formed fibre cushions for the furniture industry. In 1989, the division had sales of DM17m (£6m) and at the year-end had a net asset value of DM5.4m.

Mr Rod Sellers, Vita's finance director, said the Brinkhaus division would complement Libeltex's business which focuses on the manufacture of synthetic fibrefill battings for the furniture industry.

The cost of the acquisition was not disclosed but is believed to be just above the division's asset value.

With the addition of the Brinkhaus division's business, Libeltex now has a sales target for 1990 of BFr2.2bn (£38m) in Belgium, France and West Germany.

Belgian buy for Newman Tonks

By John Thornhill

Newman Tonks, the Birmingham-based architectural hardware group, has bought two Belgian partitioning systems suppliers for up to BFr68.97m (£1.2m) cash.

The two companies, Separal and Separplafond, based near Brussels, manufacture and instal partitioning and ceiling systems in commercial offices.

Mr Cecil Buckett, finance director, said the two companies would complement the activities of Tonks's L&D Partitioning Systems subsidiary, which manufactures steel partitioning.

The executive directors of the two companies will continue to run the businesses and have signed three year service agreements.

SHARE STAKES

The following changes in company share stakes have been announced recently:

Bolton Group: TR Property Investment Trust is the beneficial owner of 775,000 ordinary shares (8.46 per cent).

Continuous Stationery: Prudential Portfolio Managers has disposed of 75,000 ordinary (0.44 per cent) at 66p each leaving holding 1.02m (6.09 per cent) – shares are registered in names of Prudential Pensions 608,231 and Holborn Bars Nominees 415,954. Royal Trust Asset Management acquired 500,000 ordinary (2.98 per cent) at 64p each making holding 900,000 (5.36 per cent) – shares are registered in the name of NCB Trust. TR Trustees Corpn acquired 300,000 ordinary (1.79 per cent) at 65p each making holding 1.3m (7.7 per cent) – shares are registered under name of Puddledock Nominees.

Govett Strategic Investment Trust: Equitable Life Assurance Society and its associate, University Life Assurance Society, acquired 100,000 ordinary (0.1 per cent) making holding 6.97m (7.1 per cent).

Menvier-Swain Group: RB Fletcher disposed of 2,000 ordinary (0.01 per cent) at 363p each leaving holding 900,000 ordinary (6.58 per cent).

Stanhope Properties: Kleinwort Benson Investment Management holds 5.22 per cent of equity. This however, does not indicate a new build-up of a block holding in company but an aggregation of existing discretionary trusts.

If balance sheets don't balance

David Waller on Blue Arrow's widely differing US and UK figures

COMMON SENSE dictates that there should be some reasonably straightforward relationship between a company's reported profits and its share price.

And yet yesterday Blue Arrow announced a £626m write-off against its profits – which had barely passed the £1m mark in the previous year – and the share price did not flinch.

One of the reasons for this apparently perverse stock market reaction was that the write-off had no effect on the company's UK figures. Blue Arrow is one of the few UK-based companies which is more than 50 per cent owned by US investors, and so is obliged to prepare figures in accordance with both UK and US accounting rules.

A more important reason for the stock market indifference was that the write-off had absolutely no bearing on the company's cashflows, its business, its profitability, its customers, on what is called "economic reality".

The write-off related to goodwill, the spanner in the works of the double-entry accounting system. (Goodwill is defined as the difference between the purchase price of a company and its net tangible assets as adjusted for something accountants call "fair value". There has been a proliferation of goodwill in recent years, particularly in service companies such as advertising or employment agencies which have no factories or machines to prop up the balance sheet.)

It is sometimes said that England and America are two countries divided by the fact they speak the same language. The same observation could be made about accounting, the language of business. The rules are very different, particularly on how to treat goodwill, and the two versions of Blue Arrow's figures published yesterday were mutually unintelligible.

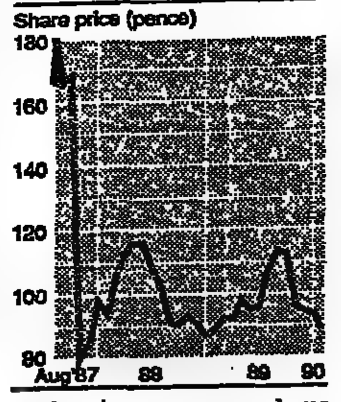
Under UK rules, Blue Arrow reported pre-tax profits of £65m, down from £75m; under US rules, the company made a staggering loss of £686m, compared to a profit of £1.2m in 1988. This worked out at a reported loss of 95.2p per share, compared to earnings of a modest 3.4p the previous year.

The reason for the discrepancy: goodwill.

In the US, companies are obliged to write goodwill off over a maximum of 40 years. In the UK, companies have been able to write it off immediately against reserves. Blue Arrow did both, writing off the considerable goodwill, which arose on its acquisition of Manpower in 1987, against its reserves, for UK accounting purposes.

For US purposes, the goodwill sat on the balance sheet, a vast sum of £962.8m. Until yesterday, the plan was to write this amount off over 40 years – taking a charge against the profit and loss account of £21.6m a year for each of the next 40 years.

Blue Arrow



Blue Arrow announced yesterday that it planned to change the way it deals with goodwill. The write-off period is be reduced from 40 to 5 years. And the absolute amount that needs to be written off is to be lopped dramatically by taking a one-off charge of £626m – a $1bn-plus write-off – in the 1989 figures released yesterday.

The result is that profits reported according to US principles will be curbed by just under £47m for each of the next four years (the first of the five write-offs taking place in the 1989 figures).

Why is Mr Mitchell Fromstein, chairman, going to all this trouble, given that these accounting changes have no bearing on economic reality? After all, the fact that US investors now own 65 per cent of the company reflects their ability to see beyond the US-style numbers in the first place, and to assess the company's attractions as an investment on the basis of cashflow figures and other fundamentals.

"The amortisation of $1.4bn of goodwill over a 40-year period would mean a protracted reduction in the company's reported earnings," Mr Fromstein said yesterday. "Investors' perceptions about the company's trading figures would be based on numbers cut in half because of the amortisation charge. The company could end up being valued at half its true value."

The problem with a 40-year write-off period is that the hit against earnings has the feeling of being virtually infinite; a five-year period is much more manageable, even if the absolute level of the charge against profits is much higher for those five years than it would be for the 40-year period.

By taking a vast £675m hit in 1989, Mr Fromstein hopes to draw attention to the artificiality of the goodwill accounting rules. The figures are manifestly absurd, bear no relation to the business realities, and thus should be ignored: ignored not just when assessing the 1989 figures, but also for each of the next four years as well.

Judging by the share price reaction yesterday, Mr Fromstein has succeeded: the US figures were ignored even by US investors.

Margins under pressure as Toothill incurs loss

RW Toothill, the upholstered furniture manufacturer taken over last year by Adamas Industri of Sweden, yesterday reported an interim loss of £381,000 pre-tax.

The outcome, for the six months to end-September, compared with a profit of £39,000 in the corresponding period of 1988.

Mr J Walker, chairman, said that profit margins remained under pressure reflecting the continuing depressed level of demand for consumer durable products and increased raw material costs.

However, the weakness of sterling will support plans to export products to Scandinavia and the EC, he said.

Projects in the pipeline with Adamas include up-market suites of Swedish hide and a range of furniture for sister company LIL Interiors.

Sales improved to £2.38m (£2.22m). The loss per share was 52.86p (earnings of 4.02p). There is no interim dividend (3.6p).

Toothill's financial year end has been changed to August 31 to conform with the parent company, which is to proceed with a placing of Toothill shares to ensure that its Stock Exchange listing is maintained. A 10-for-1 scrip issue is scheduled to take place in February or March to improve marketability of the shares, unchanged at 665p yesterday.

COMPANY NEWS IN BRIEF

AVIVA PETROLEUM - 95.47 per acceptance in respect of the rights issue of 83.18m new shares of common stock has been received.

BERISFORD INTERNATIONAL has paid £7.2m for Pinecraven Developments, a commercial and residential property company operating mainly in the south of England. In the year ended February 28 1989 it made pre-tax profits of £424,000 and is projecting £25m over the next three years. At September 30 last net assets were £4.6m.

BUILDER GROUP: CEP Communications, Paris-based media and publishing group, has declared its £56.1m offer unconditional.

CAPITAL LEASING has bought Cahills Car Rentals, the Dublin-based car and van rental company, for £425,000 cash.

HESTAIR: BET has received acceptances taking its interest in Hestair to 96.5 per cent, and has closed its share and loan note alternatives. The cash offer remains open.

HONORBILT is to purchase the brand names and certain assets of Parkes Clothing, a wholly-owned subsidiary of Goodman Group. Consideration is £500,000 cash and the issue of 3.33m Honorbilt shares. Parkes incorporates a high fashion clothing collection for men, and retail outlets.

ROCKWOOD has sold its car leasing subsidiary, Leasing Principals, for £1.2m cash.

Wilton takes 14.3% stake in Cowan de Groot

By John Thornhill

Wilton Group, the Third Market company formerly known as Pennine Resources, has bought a 14.3 per cent shareholding in Cowan de Groot and will now ask for representation on the board of the industrial holding company.

The acquisition of the shares, however, has taken place in the middle of a legal battle between Wilton and Mr Jonathan Samuelson, Cowan's chairman. Wilton is suing Mr Samuelson claiming that he had agreed to sell it a 10.5 per cent shareholding in Cowan owned by his family settlement. Mr Samuelson has denied this. A third party is also suing Mr Samuelson in connection with these shares.

Mr Samuelson bought his shareholding in Cowan in December 1988 after selling his stake in the Samuelson Group to Eagle Trust, the mini-conglomerate which subsequently became involved in a financial scandal.

Wilton revealed yesterday that it had bought its shares from Coast Investment & Development. The announcement pushed Cowan's share price up 4p to 47p, giving the company a market value of £12.3m.

Lilley purchase

Lilley has purchased the plant assets of Whatlings (Foundations) for £1.2m cash.

TGI shares dive as microwave scare bites

By Andrew Bolger

Shares in TGI, the audio and consumer electronics group, fell 24p to 96p yesterday after the company said that difficult trading conditions within its product factoring division would reduce the profits expected for the year ending March 31.

Although the group's range of microwave ovens received a clean bill of health following the recent investigations, the adverse publicity has led to a collapse in this market, the company said.

It added that this situation had been exacerbated by the most difficult conditions experienced for consumer products for many years.

While pre-tax profits in the second half were expected to exceed the £1.11m achieved in the six months to September 30, full-year profits are expected to be materially lower than the £4.32m achieved last time.

Brooke Tool withdrawal

Brooke Tool Engineering (Holdings) has completed withdrawal from the mining supply industry by selling Green and Bingham to Hydra Tools International for £671,000 cash.

In addition the company has retained cash and assets which are expected to realise a further £293,000.

Bullough beats estimates with 9% gain to £28.75m

By Clare Pearson

PRE-TAX profits of Bullough, the office furniture and engineering group, moved ahead 9 per cent in the year to end-October from £26.33m to £28.75m.

Sales rose from £208.11m to £276.41m but operating profits grew at a slower pace to £30.76m (£26.73m). Interest charge grew to £2m (£394,000), reflecting the impact of cash acquisitions.

Mr Derrick Battle, chairman, said: "We view the future with cautious optimism against a background of uncertain current economic conditions."

Atal, the French office equipment concern, was included for the full year. Mr Battle said it contributed profits above expectations.

But the underlying performance of the dominant office products division was slightly down. This was because Project, a leading UK office furniture manufacture, suffered increases in distribution and sales costs.

Overall the division made £16.6m (£13.53m) operating profits on sales of £132.05m (£80.6m).

Refrigeration and store fittings division moved operating profits to £5.8m (£5.5m). They were held back by refrigerators, the sales of which were depressed during the first half because of fears over listeria and CFC's, while sales to public houses were affected by the Monopolies and Mergers report on the brewing industry.

Among the smaller divisions, the mild winter hit heating's contribution, which fell to £3.51m (£3.85m). Electricals dropped to £1.31m (£1.66m). Engineering, however, rose to £3.51m (£2.18m).

In May, Atal acquired Linguanotto, a French office chair maker. In October, a retail shelving business was bought for about £6.5m.

After financing £10m of acquisition costs in cash and £10.7m of capital expenditure, a cash outflow of £12.9m left net borrowings of £29.5m at the end of the period. Of this, £22.9m was in French francs.

A final dividend of 4.3p makes 6.05p (5.67p). Earnings were 15.86p (14.89p).

Derrick Battle: cautious optimism

● COMMENT

A margin improvement at Atal meant these figures were slightly better than expected – but that did not make them anything to write home about. Chiefly because of tougher conditions in the UK office furniture market, it is now hard to see how Bullough can recover its strong past growth in the near-term. As regards refrigeration, prospects have improved since the initial adverse effects of the food scares, although uncertainty about the final shape of UK legislation on chilled and prepared food is likely to continue to affect demand. The other operations, being smaller, do not matter so much although further mild weather is not going to have helped the heating side. All in all, it seems prudent to expect no more than about £30m pre-tax profits for the current year. Pending any more encouraging developments, the prospective p/e of about 8.5 looks fair enough.

Wiggins and Argos ready to float

By Maggie Urry

WIGGINS TEAPE Appleton, the pulp and paper subsidiary of BAT Industries, and Argos, BAT's catalogue showroom retailer, have each appointed advisers for their flotations on the stockmarket.

BAT, the UK tobacco-based conglomerate, is demerging both subsidiaries in response to last year's bid for the group from Hoylake, the consortium headed by Sir James Goldsmith. The Argos float is expected during the first quarter of 1990, while Wiggins' is due at the start of June.

Wiggins is likely to have a market value of about £1.5bn giving the group a place in the FT-SE 100 index. It makes specialist products such as carbonless copy paper, thermal paper and business stationery, and has paper merchanting and pulp interests. The two parts – Wiggins Teape in Europe and Appleton in the US – are being merged prior to the float.

Its chosen merchant bank is Kleinwort Benson, and the stockbroker is UBS Phillips & Drew. Lovell White and Durrant is the UK legal adviser, and Simpson Thacher & Bartlett the US legal adviser. Corporate communications will be handled by Grandfield Rork Collins.

Argos' launch, likely to value the group at about £500m, is being sponsored by SG Warburg which is BAT's adviser, while Schroders has been appointed as its merchant bank. Rowe & Pitman, part of Warburg, has been picked as the stockbroker. The legal adviser is Rowe & Maw, and Brunswick is the financial public relations adviser.

Hidong profits down sharply

Lower rubber and oil palm prices have put Hidong Estate sharply into reverse with a profit before and after tax of M$49,732 (£11,100) for the half year to September 30 compared with M$407,023 for the corresponding period of the previous year.

Turnover declined from M$1.29m to M$851,000. Interest payable was down from M$29,566 to M$15,988. Earnings per share fell to Sen2.90 against Sen23.76 and there is again no dividend.

Yelverton nav up 10%

Net asset value at Yelverton Investments stood at 53p on October 31 1989, an increase of more than 10 per cent over the 48p of 12 months' earlier.

Income in the 12 months to end-October for this USM-quoted investment and securities dealing group rose from £556,000 to £796,000. After interest charges cut to £133,000 (£163,000), pre-tax profit was £401,000, a substantial increase on the previous year's £71,000.

Since the year end the board has sold the entire holding in Sheraton Securities, determining that to continue holding a large investment in the uncertain UK property sector was not compatible with the present objectives of the company.

Mr Henry Clarke, chairman, said "the company has approximately £5.5m cash representing over 47p per ordinary share and no significant short term liabilities".

Earnings per share were higher at 2.4p against 0.5p, and the dividend is doubled to 1p.

London listing for Northam

By Kenneth Gooding, Mining Correspondent

NORTHAM PLATINUM, which is developing South Africa's first deep-level platinum mine, is to have its shares listed on the London Stock Exchange and dealings are expected to start on February 1.

Platinum production is scheduled to commence during the year begining June 1991 and to build up to an annual rate of about 250,000 troy ounces by 1993-94.

The directors estimate that another R818m will be spent before the mine is financially self-sufficient and have given early notice of a rights issue soon to raise R600m.

Gold Fields of South Africa, which owns 60.4 per cent of Northam, will take up its rights. About 1.5 per cent of the issued capital is owned by UK residents.

Northam's mine, in the Transvaal, will produce ore from about 2,500 metres below the surface and be among South Africa's deepest. This will result in higher working costs but it is expected these will be offset by the high-grade ore to be mined.

The London listing is sponsored by Cazenove & Co.

When a sweet pill is spiked by bad timing

Peter Marsh considers the future of Celltech as B&C puts its 36% stake up for sale

FOR SALE: prime piece of British technology. Good working order, colourful history, prospects uncertain.

Such messages are being sent around many of the world's big chemical and pharmaceuticals companies as the effort to find a buyer for Celltech, a leading UK biotechnology group gains momentum.

The privately-owned Celltech is thought to be worth £100m to £150m. It is one of a number of companies around the world which are attempting to commercialise biotechnology, a set of relatively new biology methods for developing chemicals and drugs by manipulating genetic material.

The likely bidding for Celltech arises out of a decision by British & Commonwealth Holdings, which owns 36 per cent of Celltech, to put its stake up for sale. Under UK Stock Exchange rules, any company taking this stake automatically has to make a full offer for the business.

Baring Brothers, the London bank handling the proposed sale, is in contact with several dozen large companies which are thought of as potential buyers for Celltech. Over the next few weeks the detailed negotiations will start. "We are waiting for the telephone to ring," said one banker.

None of the large UK drugs groups are likely to want to buy Celltech. That means the most probable buyer will be a Japanese or continental European chemicals business. Such a group will probably not so far have established a presence in biotech in Europe. It will be mainly interested in Celltech's manufacturing technology and its highly regarded workforce, rather than in any individual products the company has under development.

Many analysts, however, do not expect the sale, assuming it comes off, to be easy. Prospects for the new biology look a lot less rosy than in the early 1980s when several big companies paid large sums for small biotech ventures.

Such moves hit a peak in 1986 when Eli Lilly, the US drugs group, paid $300m for Hybritech, a small diagnostics business based on biotechnology. Since then the sums paid in similar transactions have been far smaller.

Underlining the less optimistic thoughts about the technology is that sales of biotech-derived drugs last year came to about $1bn, less than 1 per cent of world medicines output. Projections in the mid-1980s had talked about much bigger figures. But developments have been slow, largely because of problems in developing biotech drugs free from side-effects and which can prove clinical effectiveness.

Another factor is that many of the giants have spent the past decade establishing their own research. They are therefore less interested in buying smaller biotech groups for the expertise of those operations. "Why should we want Celltech? We have got a biotech group already," said Sir Alfred Shepperd, chairman of Wellcome, the UK drugs company.

Dr Hans Uwe Schenk, who takes over in July as head of Knoll, a West German drugs group, said he could not rule out making an offer for Celltech. Knoll is owned by BASF, the giant German chemicals company. "But the decision would have been much easier five years ago, before we built up our own expertise," said Dr Schenk.

Celltech was set up in 1980 as an effort by the UK Government to establish a strong British presence in this field. It was originally part-owned by the Government's National Enterprise Board – the Government sold its last shares in the company four years ago – and up to 1983 had an exclusive agreement with the Medical Research Council to take into the market place ideas from work funded by the council.

MAJOR BIOTECHNOLOGY ACQUISITIONS			
Date	Buyer	Company bought	Value
1982	Schering-Plough (US)	DNAX (US)	$19m
1986	Bristol-Myers (US)	Genetic Systems (US)	$249m
1986	Eli Lilly (US)	Hybritech (US)	$300m
1987	Glaxo (UK)	Biogen*	less than £10m
1987	Novo (Norway)	IQ (Bio) (UK)	£8m
1989	ICI (UK)	Cambridge Research Biochemicals (UK)	£5.5m
1989	Abbott (UK)	Damon Biotech (US)	$9.4m
1989	Chugai (Japan)	Gen-Probe (US)	$100m
1989	Medirace (UK)	Cambridge Life Sciences (UK)	£3.25m
1989	Novo (Norway)	Celltech Diagnostics	£2m

* Purchase of European research laboratory only

Mr Gerard Fairtlough, chief executive, is an ex-NEB manager who has been in charge of Celltech since its formation. A former executive at the Royal Dutch/Shell chemicals group, Mr Fairtlough is regarded with respect in the industry.

Mr Fairtlough, who is 59 and is expected to leave Celltech soon after its future has been settled, said there were a large number of possibilities as to its ownership. "A group could end up owning 100 per cent or there could be a distribution of shareholders, as we have now."

The Celltech board is to have a full say in considering possible owners and other large shareholders – which include the Prudential insurance company and Midland Bank – will automatically become involved in the event of a full bid.

Mr Fairtlough said Celltech would not object in principle to becoming part of a non-UK company.

Celltech, with a workforce of 400, has won recognition internationally largely because of its expertise in some production aspects of biotechnology. It is especially skilled in the area of fermentation and the manufacturing of highly pure proteins called monoclonal antibodies. Some however, say it has not done enough to target its scientific efforts at specific business areas.

Celltech had sales in the year to end-September of £19.7m, on which it incurred an operating loss of £5.5m. It hopes to move into profit in the mid-1990s as a result of a number of drugs under development. Among the most promising is a specific type of monoclonal antibody which can be used against septic shock, an often fatal ailment that can affect people after serious burns or surgery.

One of Celltech's strengths is generally considered to be a series of joint ventures with large companies in which it either makes biotech materials under contract or does research into new compounds. The manufacturing ventures provide about two thirds of Celltech's revenues, while research deals account for the rest. These agreements – have given Celltech an insight into the established pharmaceuticals industry as well as a highly useful source of funds.

But companies which have worked with Celltech will not necessarily want to make a bid. One, Ares-Serono, a Swiss-American drugs group which is keen on biotech as a strategic technology, has worked closely with Celltech on manufacturing technologies. But according to Mr Fabio Bertarelli, chief executive, it is not thinking about buying Celltech. "They have nothing we don't have. It would be a duplication of technology."

Glaxo, Britain's biggest drugs company, and Imperial Chemical Industries, the country's largest chemicals business, both say they are not interested in buying Celltech.

So who will want to acquire Celltech? US chemicals and drugs companies are unlikely to be interested as many already have their in-house developments That leaves large Japanese drug companies such as Chugai, Yamanouchi and Fujisawa which in the past two years have been keen on expanding both in biotech and in Europe.

Other contenders could be European chemical companies, such as Schering of West Germany and Akzo of the Netherlands. Nobel Industries of Sweden and Norsk Hydro of Norway are two medium-sized Scandanavian chemicals groups which might be tempted to make a play for Celltech as both are interested in moving into new technologies. They also want to move further into the European Community prior to the planned completion of the internal market after 1992.

Whoever makes the plunge for Celltech will almost certainly have at least a few nagging doubts about whether the company is really worth having. "There have been a lot of problems in biotech," said Mr James Culverwell, a drugs analyst at Hoare Govett, a London broker. "Anyone who buys Celltech will be buying an enormous amount on trust."

8.5% rise at Haynes Publishing

In the half year ended November 30 1989 Haynes Publishing Group increased pre-tax profits by 8.5 per cent, from £1.53m to £1.66m.

Turnover of the group – a publisher of books and car manuals – rose to £7.99m (£7.85m). From earnings of 10.13p (9.71p) the interim dividend is lifted to 4.5p (4p).

Mr John Haynes, chairman, said in spite of high interest rates and the depressed state of the UK retail sector, the UK companies produced a trading profit of £1.21m (£1.17m).

North America made excellent progress, and the trading profit rose 51 per cent to £462,000. This accelerated growth continued into the second half, he added.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims- ABI, Apollo Holographics, Bristol Channel Ship Repairers, Davies (DY), Dudley Jenkins, Ransom (William), Rush & Tompkins, Shelton (Martin), UPL.

Finals- Gardiner, Lowe (Robert H), Mirogen, Partridge Fine Arts, Throgmorton Trust.

FUTURE DATES

Interims-

Walsh Imperial Inv Tst ...... Feb. 2

West Industries ...... Jan. 31

Finals-

Beckenham ...... Feb. 8

Fit-Fylde ...... Feb. 1

High interest and increased investment in research force TACE down to £3.2m

By Andrew Bolger

HEAVY INTEREST charges and increased spending on new products were blamed yesterday by TACE, the process, environmental, and quality control company, for a drop in profits for the year to September 30.

Pre-tax profits dipped to £3.17m (£3.62) although turnover rose to £34.32m (£27.08m). Earnings per share fell to 10.57p (16.97p), but the annual pay-out is maintained at 11p with a proposed final dividend of 7.75p (8p).

TACE's results consolidate its 51 per cent stake in Goring Kerr, the metal detector systems maker, which saw profits dip to £2.86m (£3m) in the same period. Turnover increased to £13.45m (£11.76m) and earnings per share were down to 23.7p (25.4p). The recommended final dividend is 10p (10.5p) for a maintained total of 15p.

Mr Jock Mackenzie, chairman of both companies, said the high level of interest rates and increased investment in research and development had affected TACE's results.

However, the net proceeds from the sale of Prospect, its Midlands-based engineering subsidiaries, had reduced borrowings and hence the company's exposure to high interest rates would be significantly lower in the current year.

Mr Mackenzie said Goring Kerr was a world leader in metal contaminate detection systems. This market was expanding in most industrialised countries and its advance should be reflected in the group's results in future years.

A joint venture company – Goring Kerr Intertest – had been formed to market a new system which could detect food which had been contaminated by materials such as glass or plastic, and which proved of great interest to the major food manufacturers.

● COMMENT

Are Mr Mackenzie's promises of jam tomorrow contaminated by the sort of nasty and hidden little surprises which Goring Kerr's high-technology machines are designed to detect? Both groups have sound products and high market shares, and the strategy of focusing on high technology – illustrated by the disposal of Prospect – seems to make sense. The major concern must be that good market share in what should be high-margin businesses is not feeding through to profits, raising questions about the cost structure. Down 7p yesterday at 153p, and on forecast pre-tax profits of £3.5m, Tace is on a multiple of 13, which is underpinned by a yield of almost 10 per cent. Goring Kerr fell 30p to 263p. Forecast profits of £3.2m put it on a multiple of 9.9. Both prices have fallen sharply in the last year and investors who believe the bad news is already in the price could have their faith rewarded.

Mrs Fields licensing deal with Marriott

Mrs Fields, the world's largest producer of cookies and specialty baked products, has entered into a licensing agreement with Marriott Corporation whereby it will license Marriott to produce and sell its products in stores owned and operated by Marriott and designated as Mrs Fields' Cookie stores.

The agreement will not include Mrs Fields' Bakery stores, although these may be subject to an additional agreement in the future.

Marriott will finance and own the store construction programme, including all operating overheads. It has agreed to open a minimum of 60 stores under the license agreement. The agreement will include an up-front payment to Mrs Fields as well as on-going royalties based on the value of the gross sales in the stores.

Marriott will also pay Mrs Fields an additional amount for each store opened in excess of the minimum. Once the minimum number of stores are operating at full capacity (based on average sales volumes in the pilot stores, opened in 1989.) Mrs Fields will receive royalty income under this arrangement at least equal to other similar licensing royalty agreements involving branded food products in the US, which currently average 5 per cent of total sales.

See Lex

Revised forecast at Federated Housing

County NatWest is yet again having to revise its forecast for Federated Housing. The Kent-based housebuilder produced worse than expected interim results in September and the broker was forced to lower its sights from £7m to £2.5m.

Now Federated has stated that with below budget home sales, lower margins in the final quarter and the delay of certain land sales, the group was expected to have incurred a loss in respect of last year.

Westminster Scaffolding achieves £1.4m

Against the forecast of £1.4m, Westminster Scaffolding finished the year ended October 31 with pre-tax profits of £1.47m.

The company came to the USM last July. Profit in 1987-88 was £877,000.

Mr Tom Greenham, chairman, said that in contract scaffolding the group traded strongly, in spite of the weak property market and general slowdown in the construction industry.

The access equipment hire and sale division increased turnover and profit, as a result of development to penetrate the retail end of the market.

Turnover was £12.13m (£8.21m). Earnings were 9.4p (7.3p) and the dividend is 3p (2.5p).

Brookmount buy lifts Ford Sellar Morris 76% to £12m

FORD SELLAR Morris Properties, the USM-quoted property developer, dealer and investor, has achieved a 76 per cent increase from £6.84m to £12.02m in pre-tax profits for the six months to October 31.

Mr Irvine Sellar, chairman, said the company had continued to make progress on all fronts, but the major event of the first half had been the £120m acquisition in August of Brookmount. Turnover leapt to £74.2m, more than double last time's £32.01m.

After the acquisition, FSM's gearing rose to 280 per cent. Mr Sellar said that it would fall to its pre-Brookmount level of 100 per cent by April. Although most of the acquired portfolio will be retained – boosting annual rental income to more than £10m – in excess of £80m-worth of properties have been sold.

After tax of £4.33m (£2.36m), earnings raced ahead to 18.1p (10.49p). The interim dividend is lifted 67 per cent to 2.5p (1.5p).

The company maintains that its portfolio is well balanced both by sector and geographically – it is a "good mix of quality office and well located retail properties, with no excessive exposure to any one area".

Mr Sellar said that, while it was fashionable to look solely at the downside factors in the property sector, the board did not subscribe to the more dire predictions made by some commentators. FSM would continue to proceed with caution, but would also continue to take the right opportunities to move forward.

Jacques Vert bucks trend for 15% rise

By Alice Rawsthorn

IN SPITE of the downturn in the clothing industry, Jacques Vert, the women's wear group, recorded a 15 per cent increase from £2.06m to £2.37m in interim pre-tax profits.

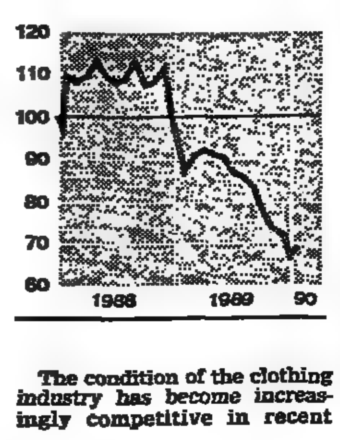
Mr Jack Cynamon, joint chairman, said the company had been unaffected by the decline in the clothing market. It had, however, suffered a squeeze on margins because of the cost of launching its new Alain Cannelle casual wear range and its investment in new warehousing and equipment.

Turnover increased to £19.07m (£14.45m) and gross profits to £8.31m (£5.96m) in the six months to October 28. Earnings per share rose to 16.01p (14.1p) and an interim dividend of 4p is declared.

The shares fell by 4p to 285p following yesterday's announcement.

Jacques Vert

Share price relative to the FT-A All-Share Index



The condition of the clothing industry has become increasingly competitive in recent months as manufacturers have struggled against the parallel problems of the slowdown in consumer spending and intense pressure from imports.

The industry's problems tend to be concentrated among the mass market manufacturers and Jacques Vert, which specialises in classic clothes for middle aged women, has emerged unscathed. It managed to boost UK sales by 32 per cent to £16m (£12.14m) in the period.

It also increased export sales by 32 per cent to £3.06m (£2.32m) although it encountered problems in the US, where it incurred a small loss. Mr Cynamon said the group was committed to establishing itself in the US. It planned to open three shops in Los Angeles "as an experiment" this spring.

Collections, the loss making jewellery subsidiary, was sold to the management in a buy-out during the first half.

The response to the new Alain Cannelle range was, said Mr Cynamon, "well above expectations". Vert did, however, have to use up working capital to pay for the launch of the collection. It also invested £1.5m in a new warehouse at Harlow, Essex, and £1.1m in capital expenditure.

Because of this investment borrowings increased during the first half. Gearing had risen to 23 per cent by the end of the period and, as a result, the group incurred a substantially higher interest charge of £180,000 (£28,000).

Mr Cynamon said the investment was necessary to prepare for future expansion. He described the state of trading so far in the second half as "very good".

MANAGEMENT: The Growing Business

European juggling act

Which joint venture, with whom and where? Charles Batchelor follows Labelking's progress

After a slow start, Chris King's plans to break into continental markets are beginning to take shape; a series of meetings has taken place over the past two months with his French and Belgian partners.

But when his early morning flight to Paris is "stacked" over the French capital in thick January fog, the frustrations of putting together a cross-border deal become only too apparent. The 10-minute wait stretches to 25 minutes before the aircraft is finally allowed to land.

Despite continued fog on the ground, traffic on the Paris ring road is fairly light and King's taxi makes good time to SEIC's factory on a modern industrial estate 30 kilometres south-west of the capital.

King has taken Ben Neale, a business studies student at Middlesex Polytechnic on six months secondment with Labelking, with him to the day-long meeting. Neale speaks French and has been closely involved in helping King prepare for his Continental expansion. The two have come to France to discuss the outcome of a joint three-day trip to Portugal at the end of November to meet potential Portuguese partners and the progress of the plan for the computer label venture in Belgium.

On the French side at the meeting are Gilbert Boveroux and Daniel Riss, joint founders of SEIC; and Gérard Douzou, manager of an associated printing company based in Rouen.

In addition, there is Roland Cuvelier, acting managing director of Turbel, the Belgian partner in the deal, who has driven down from Brussels that morning. Turbel is a label and stationery distribution company with some printing activities. It has turnover of BFr 150m (£2.5m) and a workforce of 27 people.

The meeting takes place in Boveroux's office. The modern furnishings and the space contrast with King's cramped, utilitarian office in Herne Hill, South London (though Labelking also has a modern plant at Boston, Lincolnshire). The language of the discussion is French, which King understands well, though, as he later acknowledges, his command of the spoken language needs improvement.

Boveroux starts by summarising his impressions of Portugal. With the exception of one of the companies visited the Portuguese printers were *"folklorique"* and hardly fitting partners in a pan-European strategy, he suggests. The one company of any size which might have made a suitable partner has not been in touch since the visit so is assumed not to be interested.

But the lack of a suitable partner was not the only problem. Portugal is too small a market and too far from the main commercial centres of Europe to be really attractive. In addition, Riss points out, the numbers do not add up.

The largest cost for a label printer is paper and this is no cheaper in Portugal than it is elsewhere. There would be a small saving on labour costs but this would be partly wiped out by higher transport charges. Overall, the savings do not appear to justify setting up in Portugal.

The discussion moves on to the planned joint venture in Belgium which is intended to supply all three partners with computer labels. These are a specialist product which neither Labelking nor SEIC currently produces.

They are labels which can be fed through a computer printer and printed with addresses for business mail-shots or with product and storage data for internal and customer use. The labels may be printed with the company logo or plain (but in either case they must be cut to size) and the backing paper must be perforated to run over the printer sprockets. The market for these labels is very competitive and costs must be held down if the joint venture is to succeed.

"My hair stood on end when I saw your prices for the labels," Riss, the more financially-minded of the French duo, tells the Belgian Cuvelier. Costings would be affected by the product mix of the Belgian operation and by a decision on whether to produce for stock or only to order. Would there be sufficient demand for this type of label? asks Boveroux.

King acknowledges that at the moment customers do not ask for these labels but that is because they know Labelking does not make them. There would be a sizeable market once it became known they could be supplied, he says.

They get down to a detailed costing of the operation, including the cost of the printing machinery, staff wages, factory space, heat, lighting and insurance.

Then King gets a surprise. Where should the printing operation be based? asks Riss. He suggests Labelking's Boston factory or at SEIC's associate company in Rouen. Up to now King had been working on the assumption it would be in Belgium. "We must work out the costs of each location," says Riss.

With a short break for rolls and wine brought in by a nearby office catering firm, the discussion resumes. Portugal comes up again and King agrees with the two Frenchmen that they should give greater priority to the computer label venture. They decide to reconsider the idea in a few months' time. (A few days later, however, the largest of the Portuguese companies visited does get in touch and a meeting is arranged in London for later in January.)

They then discuss the printing equipment they would need for the computer label venture. Delivery would take six months but before they can order a machine they must set up a company. King is allotted the task of getting his lawyer to draw up a partnership agreement while Riss says he will ask his accountant to check the costings.

They have yet to decide where to base the new company so they will also have to do some more research into matters such as the comparative rates of tax and national insurance in France and the UK. They must also decide whether the computer label venture will sell at cost to the three partners or whether it will make a profit in its own right. And how will capacity of the new venture be allocated among the three partners if one gets a sudden large order?

One suggestion from the French side is for the computer label company to sell directly to customers if any of the three partners were unable to negotiate a satisfactory deal. This proposal worries King since it would mean the production company was competing with its owners and would undermine the whole basis for the partnership.

At 5.15pm – after six hours of discussion – the meeting ends. Many issues remain to be resolved but Boveroux is confident the new venture can be up and running by September or October.

The financial risks of the computer label venture have been carefully weighed and it would not pose a threat to the viability of the partners even if it did not succeed.

Nevertheless King and his partners have reached agreement on an important new departure for their companies. This has been achieved with the minimum of formality and, so far, without involving lawyers or any other professional advisers.

On the return flight to London the following morning King reflects on the meeting. He would have preferred to have tied up more of the loose ends but his lack of fluency in French has limited his ability to steer the discussions.

He is happy, however, with the rapport he has built up with his French and Belgian counterparts and is satisfied with the progress that has been made. "Our ideas are much more concrete than they were a few months ago," he says.

Previous articles in this series appeared on May 2, May 23, September 5 and November 28. Future articles will continue to follow Labelking's progress.

Labelking, a South London printer of adhesive labels for the food industry, is attempting to break into export markets. Chris King, founder and managing director of the 18-year old company, plans to establish a joint venture on the ***continent with a French label printer, Société*** **d'Etiquetage d'Impression et de Conditionnement (SEIC). Labelking and SEIC are similar in size. The British company employs 42 people and has sales of £5m while SEIC employs 38 and has turnover of FFr50m (£5.2m). They are considering two possibilities: linking up with a Portuguese label printer to establish a low-** ***cost base for printing labels for sale through-*** **out Europe and a joint-venture in Belgium with a Belgian partner to print computer labels.**

The best way to make a stand

Charles Batchelor reports on staff behaviour at exhibitions

Have you exhibited at a trade show recently? Were the staff on your stand friendly or did they stand, arms folded, glaring at visitors? Did they rush up to people before they had time to gather their thoughts or did they allow them time to look round? Did they promise to send sales literature but then forget or were the brochures sent with the next post?

How to prepare your staff is just one of the subjects covered in How to Make Exhibitions Work for your Business.* Author John Talbot explains how, with careful planning, an exhibition can increase sales, raise your company's profile and tell you what your competitors are doing.

British companies undervalued the potential of exhibitions in the 1960s and early 1970s but have since become more enthusiastic. This has coincided with the opening of a number of new exhibition halls. In many continental countries exhibitions are an important part of the business year.

Many small businesses nevertheless still regard participation in an exhibition as difficult and expensive. This need not be so, says Talbot. He points out that exhibitions provide one of the few opportunities that companies have to make contact with a large number of potential customers.

The businessperson must first decide which sort of exhibition would be most useful. If sales go through wholesalers and distributors then a trade show will be most appropriate but a consumer exhibition will be of value to companies selling directly to the public.

If the exhibition has been held before the would-be participant should ask the organiser for audited visitor figures. More important than the crude numbers attending are the status and decision-making power of visitors.

The expense involved will comprise direct costs such as payment for stand space, the construction and fitting out of the stand and special brochures as well as indirect costs such as staff time spent in preparation. One survey of exhibition costs showed renting the space amounted to 26 per cent of costs, stand construction 41 per cent, staffing, transport and catering 17 per cent, stand services such as electricity and water 9 per cent and publicity 7 per cent.

Booking stand space must be done well in advance - more than 12 months ahead with popular exhibitions, Talbot advises. Exhibitors should make sure they study the fine print of the contract and that they can meet the deadlines laid down. Some shows will require a non-returnable payment of 25 per cent of the rental charge at an early stage.

Staff must be chosen for their ability to show the company at its best and they must be carefully briefed about the products on display. The number of staff involved must be chosen carefully since too many people make a stand look disorganised, while undermanning can mean sales are lost.

Staff must not be expected to work a full day from 9 am to 7 pm. Standing all day in the artificial atmosphere of an exhibition hall is tiring and a rota system will be needed. Staff who lose concentration may not demonstrate equipment properly or may fail to complete a sale.

In order to assess the effectiveness of exhibiting, the company should draw up a forecast of the numbers of prospective and actual sales they expect to make at the show and the likely value of these orders. After the show this forecast must be compared with the actual achievement.

**Published by Kogan Page, 120 Pentonville Road, London N1 9JN. 127 pages. £7.99.*

In brief...

■ Finance and interest rates are the most important problem facing the 2,000 small businesses polled in the latest Quarterly Survey* of Small Businesses in Britain. Thirty six per cent of respondents highlighted this issue, the highest proportion since the surveys began five years ago.

A lack of skilled labour continued to be the second most frequent business problem – cited by 13 per cent.

* *Published by Small Business Research Trust, School of Management, Open University, Walton Hall, Milton Keynes MK7 6AA. Tel 0908 655831. £15 per copy or £45 a year.*

■ American Express has extended its range of services for small businesses by teaming up with the RAC (Royal Automobile Club) to offer a vehicle breakdown service to small company card-holders.

The service, known as Mobile Assist, gives roadside and at-home assistance with breakdowns and a recovery service if the vehicle, including light vans up to 3.5 tonnes, cannot be repaired.

Card-holders pay for each call-out (£45.50 for roadside assistance, for example) but pay no RAC subscription.

The annual subscription for the small company card is £32.50, including the Mobile Assist service. This is the same rate as an American Express personal card, though the company card covers the use of more than one vehicle.

American Express first launched its small company card last April, offering disability insurance to cover accidents at work, a telephone business travel and hotel booking service offering corporate discount rates and an annual report giving a breakdown of business expenses.

The card is intended to extend services previously restricted to large companies to the smaller firm typically employing between six and 12 people. Card-holders from small companies now number 60,000.

■ A series of one and two-day workshops for established small businesses on subjects such as accountancy techniques, exports, computers in business and negotiating skills is being run by the London Enterprise Agency (LEntA) over the next two months.

The cost of the sessions ranges from £80 (plus VAT) to £130 (plus VAT) though some are free to businesses which have been trading for less than a year.

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We are in the Northwest and specialise throughout the country in establishing and operating childrens day nurseries. We would like to joint venture with a construction/development company in expanding our distribution network taking up synergies between both parties.

Write Box F9547, Financial Times, One Southwark Bridge, London SE1 9HL.

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London SW1

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FIMBRA

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for expanding businesses and selected start-ups. Investors have funds and skills to invest. Send business plan to or

Contact: VCR, Boston Road, Henley, Oxon. RG9 1DY Tel. (0491) 579999
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"One of the best alternative magazines in the world"
seeks
additional equity capital for its development.
Please write to:
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INVESTMENT COMPANIES

We are a PLC with substantial CGT losses available. We wish to acquire companies containing underlying portfolios with inherent capital gains tax liabilities (minimum gain £500,000) which require unlocking.

Write to:
Box No. F9534,
Number One, Southwark Bridge,
London SE1 9HL.

POLAND - ANY BUSINESS. Contact Dr Lukinski, 0483 300812 (ph), 0483 62541 (fax).

BUSINESS SERVICES

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seeks to purchase
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located in London/
Home Counties
Will consider either individual properties or companies owning multiple outlets.

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Not all the services advertised here are regulated by the Financial Services Act 1986 and the rules made for the protection of investors by that Act will not apply to them.

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Fax 023383661 Telex 966159

BUSINESSES FOR SALE

TOUCHE ROSS
CORPORATE SPECIAL SERVICES

Our Corporate Special Services Department has a network of offices throughout the UK, offering guidance on corporate care to companies in distress, as well as comprehensive services to creditors and bankers. Contact any of the people at our main offices listed below to find out how they can help you best.

London	—	Tony Houghton	Tel: 01-405 8799
Belfast	—	Arthur Boyd	Tel: 0232 649111
Birmingham	—	Andrew Peters	Tel: 021-631 2288
Bracknell	—	Roger Smaridge	Tel: 0344 54445
Bristol	—	David Bird	Tel: 0272 211622
Cardiff	—	Robert Ellis	Tel: 0222 481111
Glasgow	—	Robin Wilson	Tel: 041-204 2800
Leeds	—	Ralph Preece	Tel: 0532 444741
Leicester	—	John Doleman	Tel: 0533 543598
Liverpool	—	Stephen Akers	Tel: 051-236 0941
Manchester	—	Graham Watts	Tel: 061-228 3456

Touche Ross

Authorised to carry on Investment Business in Great Britain by the Institute of Chartered Accountants in England and Wales and in Northern Ireland by the Institute of Chartered Accountants in Ireland.

FOR SALE
The Business and Assets of
RFC – JESCO LIMITED
AND GROUP COMPANIES

The Joint Administrative Receivers offer for sale the business and assets of the above group, manufacturing chemical dosing and control equipment for the water treatment industry with an annual turnover of £1.44 million.

- Patents covering chemical dosing pumps
- Range of control instrumentation
- International customer base with order book
- Suppliers to water authorities and blue-chip companies
- Modern leasehold premises at Lydney, Gloucestershire

For further information please contact R.G. Ellis.

Touche Ross

Blenheim House, Fitzalan Court, Newport Road, Cardiff CF2 1TS.
Tel: 0222 481111. Fax: 0222 482615.

Authorised to carry on Investment Business by the Institute of Chartered Accountants in England and Wales.

LEONARD CURTIS

BY ORDER OF THE JOINT ADMINISTRATIVE RECEIVERS
PHILIP MONJACK FCA and KEITH D GOODMAN FCA

IN THE MATTER OF

REE-EVEN LIMITED

Offers are invited for the business and assets of this established plant and tool hire company, which operates from purpose-built leasehold depots in excellent locations in West Sussex.
Freeholds of premises may be available.

Principals only apply to:
Leonard Curtis & Associates, 20 New Road, Brighton, East Sussex BN1 1UF
Tel: (0273) 571946 Fax: (0273) 681974

Fully Equipped
HEALTH CLUB

situated in 1⅓ acres in a Mediterranean location. To be sold complete as a going concern for circa £900,000.
For further information on this and other prime commercial properties in the Med, write in the first instance to:

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FLORISTS

Part of successful garden centres business wishes to dispose of flower shop as going concern. To include 12 year leasehold premises in Putney, new shop fittings, Nissan van, furniture and equipment and goodwill.

Box H5678, Financial Times,
One Southwark Bridge,
London SE1 9HL.

FOR SALE

Integrated Arts Limited
(Agent for Mortgagee Appointed)

High Speed Image Processing Technology

Expressions of interest are invited for the purchase of a Publicly Listed company whose products include broadcast graphics systems.

The company has 3 products nearing completion for release at the National American Broadcasters Conference in March 1990 with potential for worldwide marketing. The revolutionary designs of these 3 products and others on the drawing board will project the company to the forefront of the broadcast graphics field.

For further information please contact John Smith or Brian Dunphy on (02) 266 0655.

HORWATH & HORWATH
CHARTERED ACCOUNTANTS
307 Pitt St, Sydney 2000 Australia.
Tel: (02) 266 0655 Fax: (02) 264 6554

Greames Optical Services Limited

Also t/a Greames Optical, Newcastle and Swansea Optical, Swansea

Opportunity to acquire the business and assets of a well established manufacturer of spectacles and lenses, which also markets spectacle frames and optical equipment. Main centre in Halesowen, West Midlands, also based in Newcastle-upon-Tyne and Swansea.

- Turnover approximately £3m per annum
- Freehold factory units of 18,500 sq feet
- 2 small leasehold factory units
- Nationwide representative network
- Extensive range of branded frames
- Long-standing reputation for quality and quick turnaround
- Extensive and diverse customer base

Assets for sale comprise freehold and leasehold premises, plant, machinery, stocks and work in progress.

Interested parties should please contact John F. Powell and Ian N. Carrothers, Joint Administrative Receivers at:
Cork Gully
43 Temple Row
Birmingham
B2 5JT
Tel: 021-236 8966
Fax: 021-200 4040
Telex: 337892

Cork Gully is authorised in the name of Coopers & Lybrand Deloitte by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.
Coopers & Lybrand Deloitte is the business name used by Coopers & Lybrand in the UK, which will merge with Deloitte Haskins & Sells, in the UK on 29 April 1990.

Cork Gully

High Precision Plastics Mouldings

The business and assets of LEM Plastics Mouldings Limited are offered for sale by the joint administrative receivers. The company manufactures high quality precision plastic moulded components and finished products from thermoset and thermoplastic materials using both compression and injection processes.

The main features and assets comprise:

- Modern freehold premises in East Cowes, Isle of Wight of some 55,000 sq ft
- Production capacity for £6 million turnover
- BS 5750 certification
- Modern machinery including 39 moulding machines
- Fully equipped toolroom
- Established and expanding customer base

Interested parties requiring further information should contact:
Adrian R. Stanway
Joint Administrative Receiver
Cork Gully
5 Town Quay
Southampton
Hampshire
Tel: 0703 632772
Fax: 0703 330483

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Cork Gully

Joncare Limited

In Receivership

For Sale as a going concern, the business and assets of Joncare Limited designers and manufacturers meeting the special needs of the disabled, handicapped and rehabilited.

- Well established business — the name Joncare is synonymous with supplying specialised products and services to the industry.
- *Turnover in excess of £1,000,000 per annum.*
- Modern industrial premises in Abingdon, Oxon.
- Stock and range of work in progress.
- Well equipped workshop.
- Large potential order book.

For further details, contact the Joint Administrative Receivers:
Nigel John Vooght and John Martin Iredale,
Cork Gully,
9 Greyfriars Road,
Reading, RG1 1JG.
Telephone: 0734 500336
Fax: 0734 607700
Telex: 848588

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Investment Management · Pensions & Life Assurance · Accounting · Auditing

The Joint Administrative Receivers
***offer* for sale the Business and Assets of**

POLYTHENE (UK) LIMITED

The Company operates a plastic bag extrusion business with:

- ★ Leasehold Premises in East London
- ★ Annualised Turnover approximately £750,000
- ★ Wide Customer Base
- ★ Surplus Capacity and Floorspace

For details, contact Peter Mills or Peter Yeldon at the offices of Smith & Williamson, No. 1 Riding House Street, London W1A 3AS. Telephone: 01-637-5377. Fax: 01-631-0741. Telex: 25187.

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Smith & Williamson Securities. Authorised institution under Banking Act 1987. Member of IMRO. Member of the British Merchant Banking and Securities Houses Association.

Party Plan Business
North of England

The above company organises the sale of china, fancy goods and glassware through a national network of demonstrators.

- **Projected annual turnover approx £8 million (net)**
- **128 employees**
- **Stock has a book value of £2.7 million**
- **The company occupies several leasehold premises.**

For further details please contact the Joint Administrative Receiver:
Scott Barnes, Grant Thornton,
St Johns Centre,
110 Albion Street,
Leeds LS2 8LA.
Tel: 0532 455514
Fax: 0532 465055

Grant Thornton

The U.K. member firm of Grant Thornton International. Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

MANUFACTURING JOINER

Business and Assets for sale

- Based in Wolverhampton, Stewart Joinery Ltd., specialises in manufacturing and fixing purpose-made quality products.
- Turnover approximately £1,000,000.
- Leasehold premises on separate sites of 10,000 and 7,000 sq. ft. respectively.
- Woodworking machinery, equipment and stock amounting to approximately £190,000.

For further details please contact the joint administrative receivers:
Ken Jones or Andrew Menzies
Centre City Tower, 7 Hill Street, Birmingham B5 4UU
Telephone: 021-643 1936 Fax: 021-643 4993/7738

ROBSON RHODES

Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

ENGINEERING COMPANY
MILTON KEYNES

The Joint Administrative Receivers of Afton Engineering Limited, a company specialising in high precision metal work for the electronics, music, photographic and communications industries invite offers for the business and assets as a going concern.

Principal features include:

- Turnover approximately £600,000 per annum
- Leasehold premises of some 5,000 sq ft
- CNC punching machines
- Established customer base
- Good reputation for service and reliability
- *Skilled workforce of 20*

For further information please contact:
M A Halley, Joint Administrative Receiver

KPMG Peat Marwick McLintock
Spencer House, Cliftonville Road,
Northampton, NN1 5BU
Telephone: 0604 34480 Telefax: 0604 32297

WE SELL COMPANIES.

Whatever your business, we should like to hear from principals, whether buying or selling. All types of business sought, regardless of industry, size or location. The strictest confidence is maintained.

KENT - COMM BLDG CONTRACTOR - Estab Co. Regular ords from PLC's. F/Hold site. T.O £750K. Good NP. Price £400K +/- net assets (Ref ZC246812)
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ESSEX - HAULAGE CONTRACTOR/PLANT HIRE - Small fleet of new quality vehicles. F/Hold yard. T.O £830K. Profitable bus. Price £400K (Ref ZP18927B)
E.DEVON - CAR HIRE/S.DRIVE/CONTRACT HIRE - Fleet 90 vehicles. Mod det light Ind unit. T.O £400,000 L/Hold £200K + stock/vehicles (Ref Z24276N)
S.WEST - LEADING COACH CO. - Exten workshop/coach park. Tkg £1M. Excel contracts. L/Hold £250K + stock/coaches (Ref Z24277N)
HERTS - PHOTOMECHANICAL SERVICES - Unique process (Unpatented). Widely acclaimed by automotive industry. Guide Price £300K (Ref ZV18454D)
N.HUMBERSIDE - CARAVAN RENTAL/SALES - 40 acre site. Lic for 400 pitches. Night club/bar/amusements/fish & chip T.O £247K GP £116K. £1.5M (Ref ZW18455YK)

Write to the General Manager
Everett Masson & Furby Corporate
18 Walsworth Road
Hitchin SG4 9SP
Tel 0462 422499 Fax 0462 420052

EM&F EVERETT MASSON FURBY

NURSING HOMES

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Box H5688, Financial Times,
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Long established and profitable
INDUSTRIAL & COMMERCIAL
BUILDING SERVICES ENGINEERS
FOR SALE

Turnover 1989/90 in region of £3.5 million. Blue chip client list - Full order book. Wide reputation for efficiency and quality. Located Herts/Bucks border close to M25.

Replies to:-
Lawrances, Chartered Accountants
Bank Chambers, 20 High Street,
Tring, Hertfordshire. HP23 5AH

BUSINESSES FOR SALE

Prime Bake Limited

The business and assets of Prime Bake Limited are for sale as a result of receivership. The business comprises:

- Modern well equipped production facility.
- A skilled workforce of approximately 70 employees.
- 20,000 square feet leasehold premises comprising a specifically designed bakery built to chilled food/frozen food factory specification.
- Weekly turnover £32,000 per week: annualised turnover £1.6m.
- Blue Chip customer base.

For further information please contact:
PE Baldwin FCA, Price Waterhouse, Livery House, 169 Edmund Street, Birmingham B3 2JB. Telephone: 021-200 3000. Fax: 021-200 2902. Telex: 338689.

Price Waterhouse

Dominion Financial Management

The opportunity arises through the administration of Dominion Financial Management Limited to acquire the goodwill, business and assets of this leading provider of Personal Equity Plan and Unit Trust administration services.

- Customers include major financial institutions.
- Over £67 million under administration on the company's system.
- Sophisticated bespoke software system.
- Dedicated hardware.

Please contact: JGA Philips FCA,
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On the Instructions of Mansfield Brewery plc

NOTTINGHAM CITY CENTRE

Established Snooker Club with 19 tables

- Licensed Bar with Kitchen/Service Facilities.
- 550 Members with potential to increase.
- In all about 10,000 sq.ft. - all superbly fitted-out.

Leasehold for sale (20½ years remaining)

Offers invited in the region of £165,000 to include a full trading inventory

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Humberts National Leisure Division
25 Grosvenor Street, London W1X 9FE Tel: 01-629 6700

01/4388/JCM

Leisure Industry, Hotels and Licensed Property Consultants

FOR SALE (Due to Ill Health)

COMMERCIAL VEHICLE BODY REPAIR AND REFURBISHING BUSINESS
- Home Counties (West) -

Steadily rising turnover with good profits 1989/90 turnover forecast £925,000
Excellent reputation
Wide customer base with many "Blue Chips"
Superb 10,000 Sq.Ft. Leasehold Property
Moder Plant & Equipment including Chassis Straightener
Highly skilled workforce
Scope for considerable expansion

C J C Derry/Mrs D A Rudge
Business Brokerage Division
50/51 High Holborn,
London WC1V 6EG
Tel: 01-405 8411
Fax: 01-405 9772 Telex: 897377

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FOR SALE WEST LONDON

First class established motor dealership with two existing franchises. Excellent location.

The business comprises Sales, Service & Parts with an annual turnover of £5m.

Write in confidence
Box H5679, Financial Times, One Southwark Bridge, London SE1 9HL

NORTHERN BASED PLANT HIRE LIMITED COMPANY

A plant hire company (mainly operated plant) trading in the expanding North is available for sale.

- Turnover £2.60m - 17 months to 31 March 1989
  Net profit before directors remuneration and pension contributions £396000
- Turnover £1.25m - 6 months to 30 September 1989
  Net profit before directors renumeration and pension contributions £190000

There is also an associated civil engineering limited company which could be offered for sale.

- Turnover £3.44m - 17 months to 31 March 1989
- Turnover £1.93m - 6 months to 31 September 1989
  with reasonable trading profits.

A 2-acre depot with offices near to motorways is available for lease to make an ideal position for Midlands, Southern or European company wishing to obtain a base in the area.

For full details write box H5696, Financial Times, One Southwark Bridge, London SE1 9HL.

ELECTRONICS/SECURITY COMPANY PRIVATELY OWNED

Principal features of the business:

- located in the Midlands
- major corporate clients represent 90% of turnover
- experienced qualified specialist staff
- unique and specialist product range

Contracts in hand : £500K+
1989 turnover £900K+

Write Box H5711, Financial Times, One Southwark Bridge, London SE1 9HL

Miller

HOLIDAY BUNGALOW SITE NEAR PLYMOUTH

In beautiful wooded valley setting, comprising 23 holiday bungalows, heated swimming pool, tennis court, childrens play area and manager's 3-bed private residence. Conveniently situated for many holiday spots on the south coast. Each unit comprises 2 double bedrooms, lounge/diner, open plan kitchen, bathroom. Freehold OIR £850,000. Ref: 499/163L.

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Fax: (0872) 42455

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Birchwood Warrington WA3 7BH
Fax 0925 851302 Tel 0925 822576

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SELLERS and BUYERS
Contact in confidence:
DIVERCO LTD.
4 Bank Street,
Worcester WR1 2EW.
Tel: 0905 22303

PRIVATE TENNIS CLUB FOR SALE

Superb riverside location. Ten miles west of London. Clubhouse plus six courts producing £40,000 pa *with potential for 100% increase.*

Audited accounts and details write Box H5690, Financial Times, One Southwark Bridge, London SE1 9HL.

FOR SALE

Long established Profitable Medium to Heavy Plant Hire Business
S O U T H W A L E S
Good, Office, Workshop and Yard facilities Scope for expansion in Cardiff Bay, Heavy Industry, Quarrying and Landfall projects.

Box H5699, Financial Times,
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London SE1 9HL.

od Operational Development Ltd

204 Fernbank Road, Ascot, Berkshire SL5 8JX
Tel: (0344) 885317 Fax: (0344) 890217

FOR SALE

Profitable UK Electronic Company
Designs and manufactures high performance electronic components for 'niche' markets
Current year: Sales £5m (approx). Pbt £600k (plus)

FIMBRA

GARDEN CENTRE FOR SALE

Family run garden aquatic centre for sale in East Anglia. *Turnover £600,000.* Good profit record. Offers in the region of £1m for freehold land, buildings, equipment and goodwill and stock at valuation. For further details, please write to:

Box H5676, Financial Times,
One Southwark Bridge,
London SE1 9HL.

FOR SALE

Paper/Pulp well known merchants (agents) Swiss Stock-Corporation well situated, good returns own capital stock long term business very good background activities in Europe and other countries all shares for sale, successor is wanted effective, respectable companies/gentlemen welcome

Please write to box H5693, Financial Times,
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An exciting opportunity to acquire an expanding company based in the North of England.
The company has:- A good product range. Exceptional potential for growth. High profit margins. Current turnover of £300,000 in the last quarter. The manufacturing process does not require a skilled labour force All enquiries in the first instance should be in writing to:- Ian Jennings. Rawlinson Milne Booth, Chartered Accountants, 6 Park Square, Leeds, LS1 2LX.

FOR SALE STORAGE & FULFILLMENT COMPANY

Well established storage and fulfillment company based in South London. The company has a blue chip client base producing an excellent level of profits. For further information please write to Box H5682, Financial Times, One Southwark Bridge, LONDON, SE1 9HL

Nottinghamshire 32 BED NURSING HOME

with planning to 44 bed extension. Newly converted and extended Victorian stone built property for sale by limited company. Offers £1,000,000.

Principals only Write Box H5713, Financial Times, One Southwark Bridge, London SE1 9HL

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4GL UNIX
Own software
good maintenance income
Profits c£125,000
North of Birmingham Growing -
Good Potential
Principals and retained advisers

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AAA Seafood Processing

AAA Seafood Processing plant in Costa Rica for sale. Exporting to USA with established markets. Important tax advantages through Caribbean Basin Initiative.Principals only. Contact Mr.Sosa in USA.

Phone 305 876 9348/49
305 447 9933 (after 8pm EST)
Fax 305 876 9350

LASER-CUTTING business in North Kent,

with existing well-known clients, specialising in signs, point of sale and control panels. Mergers considered.

Colin Cadle 0959 73492.
Fax 0959 71062

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100% Chardonnay grapes from Hungary. 12% vol with cork closure. Total 2000 cases 75cl by 12.

Call Santa Wines Ltd, P.O. box 1263.
Limassol Cyprus Fax: 051-77871
Tlx 3382 PRC CY Ref: Sally

FOR SALE

Small Precision Engineering Company

Both executive directors now over 70 and wish to retire. The company was formed in 1961; has a turnover of approx £500k; and operates in freehold premises of 5,600 sq ft recently professionally valued at £400k and located close to London Heathrow.

Write to Box H5704, Financial Times,
One Southwark Bridge,
London SE1 9HL.

MARKETING NEWS

Due to a re-organisation the publishers of Marketing News, are seeking a quick sale to the title. This will include a database of both registrations and compiled data totalling approximately 30,000 marketing and senior executives. The publication needs development and has potential in the direct marketing sector and for recruitment advertising.

For further information contact:
Mr D. Raven, Managing Director,
Hamden Services Ltd.
Tel: 0327 301302 or Fax 0327 300139

PRESTIGIOUS AND WELL ESTABLISHED CONSERVATORY COMPANY

FOR SALE
INCLUDING:-

- Unique Product Package
- All Tools and Equipment
- New Window Product Package

Write Box H5697, Financial Times, One Southwark Bridge, LONDON, SE1 9HL

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Portfolio with properties in London and south east.
Current rent £230,000 per annum approximately.
Imminent reviews and management opportunities.
Good covenants.
Principals only.

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Write Box H5716,
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To enter the booming language business two private schools in constant expansion with well established network of company clientele strong cash-flow on limited potential.

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Secure investment in Europe

227 ha Spruce-Beech-Douglas Fir in the Black Forest/West Germany 20 min from Strasbourg-Basel
Price: 10 DM/sq meter.

Inquiries: Tel and
Fax GB 0044 285 650248

WINE BUSINESS

Retail shop plus wholesale for sale in Hampshire. Established 12 years with freehold premises worth £250,000+ in prime high street position. Turnover £500,000+ pa. Net profit £70,000+ p.a.

Write Box H5691, Financial Times, One Southwark Bridge, London SE1 9HL

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Well established 25 (yrs) and profitable business for sale. To include valuable freehold property.

For further details please write Box H5706, Financial Times, One Southwark Bridge, London SE1 9HL

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North West based well established & profitable. Turnover in excess of £100,000. Linguistic skills not essential. Induction training offered. Leasehold offices. Business, records and equipment £85,000.

County Business Services
061 480 2969

GOLF AND COUNTRY CLUB

Management arrangement leading to eventual buyout sought by property developer proprietor of West Country. Holiday complex which still has enormous scope for further development including country pursuits and golf.

Principals only Write Box F9542, Financial Times, One Southwark Bridge, London SE1 9HL

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of an expanding company interested to own a diversified conglomerate in USA. We have the base for it, controlling companies in different areas.

Write box F9522 Financial Times,One Southwark Bridge London SE1 9HL

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Freehold - one block
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Superb location. St Albans.
Guide Price - £800K.

For further details please Write Box H5710, Financial Times, One Southwark Bridge, London SE1 9HL

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We are mandated by a medium-sized US company (computer peripheral hardware products) to find a buyer.

Contact: IBC Inc., Switzerland
Phone: 41 (38) 24 55 00
Fax: 41 (38) 25 83 95

FOR SALE

Established controlled circulation journal for sale. Building industry. Tremendous potential.

Principals only write H5708, Financial Times, One Southwark Bridge, LONDON. SE1 9HL

FROZEN FOOD BUSINESS

Long established frozen food business for sale. Branded products (trade marked). Turnover in excess of £1 million. Offers over £100,000 invited for the goodwill. Assets, stock etc. at value Principals only please to

Box H5692, Financial Times,
One Southwark Bridge,
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TECHNOLOGY

Clive Cookson reports on a biotechnological effort to satisfy consumer tastes

A peach of a debate about nature

The scent of peaches wafts through the gardens outside the pretty 17th century town of Naarden, in the richest horticultural region of Holland.

But it's not the fruit growing season. And surely real peaches wouldn't smell *that* strongly!

The source of the aroma turns out to be Quest International, Unilever's specialist flavours and fragrances company based at Naarden. With sales of $659m in 1988, increasing annually by 10 per cent, Quest is one of the fastest growing but least well known parts of the Anglo-Dutch corporate empire. It is already number two in the world league of flavour and fragrance manufacturers, behind IFF of the US, and aiming to take first place during the 1990s.

The research priority for all the big players in the $3bn-a-year food flavouring sector is to develop ways of meeting the growing demand for "natural" flavours. Consumers are turning away from artificial food additives, synthesised by organic chemistry from materials derived ultimately from the petrochemical industry.

"Building a biotechnology base for Quest is the top priority for our R&D," says Thomas Walsh, the company's American chairman.

The peach-perfumed atmosphere in Naarden is one sign of Quest's biotechnology R&D programme (see accompanying article). Other parts include:

- A new generation of "natural" meat flavours that are not derived from meat extracts but from yeast cells broken down by enzymatic hydrolysis.
- Use of enzymes to improve the qualities of "gums", which stabilise and thicken the texture of processed food. For example, guar gum, a cheap stabiliser, is converted to locust bean gum, a far more expensive material extracted from carob trees, by an enzyme called alpha-galactosidase which Quest makes from genetically engineered yeast.
- Natural colours produced by yeast. Salmon farmers add the synthetic pink asta-xanthin to fish feed to give their salmon the pink flesh characteristic of wild fish. Quest has produced a natural replacement for this.

Other leading flavour manufacturers have similar biotechnology programmes.

Ferdinand Näf, research director at Firmenich, the Swiss flavour and fragrance company, which has previously concentrated on organic chemistry, says: "We moved into biotechnology later than some others, but we have made a heavy commitment to our biotechnology department and the first generation of products will be coming out very soon."

"The cry of the public for 'truly natural products' has seriously set back chemical research in the flavour field," says Laszlo Unger, a leading industry analyst based in Geneva. He expects biotechnology increasingly to dominate food flavour manufacturing during the 1990s.

However as Bill Zick, flavour marketing manager at IFF, points out, neither the industry nor consumer advocates nor regulatory authorities have properly addressed the key question: what is a natural flavour? "1990 is going to be a very important year for the industry, in which the definition of 'natural' will be made very much tighter."

Although national regulatory bodies, such as the Food and Drug Administration in the US, have tried to define "natural" flavour, the closest to an accepted international definition comes from the World Health Organisation's Codex Alimentarius: "Any substance or preparation with flavouring properties acceptable for human consumption obtained exclusively by physical, microbiological or enzymatic processes from material of vegetable or animal origin . . ."

What that mouthful means is that a meat or fruit flavour derived from a strain of yeast occurring in nature is "natural". But the distinction between natural and artificial is less clear when considering a flavour produced from a genetically engineered yeast not found in nature.

What is clear is that a flavour component will be treated differently if it is made by synthetic chemistry from a base of petrochemicals, rather than through biotechnology. In the first case it is called "nature identical" rather than "natural".

Although most of the flavour industry's biotechnology R&D is directed at production based on micro-organisms, particularly yeast, there is also a lot of research into plant cell cultures. For example, botanists at Edinburgh University, led by Professor Mike Yeoman, are culturing cells from chilli peppers to produce capsaicin, the spice which gives foods a "hot" taste.

But Japanese companies, led by Mitsui and Kanebo, seem to be ahead of their European and American competitors in the commercialisation of plant culture technology. The first commercial product was Mitsui's shikonin, a red colour traditionally extracted from *Lithospermum* roots and now made from *Lithospermum* cells in a fermenter.

In Europe, Danisco of Denmark is working with Plant Science Limited, a Sheffield University company, on a Eureka project to produce fruit flavours from plant cell cultures. Ray Creswell, project manager, says that cell cultures have been established from several different fruit, including orange, blackcurrant and cherry, although it will not be possible to assess their commercial potential as flavour sources for another 18 months.

Quest for freshness components

Peach is a good example of the way Quest is using biotechnology to make natural flavours. The food industry's demand for peach is increasing rapidly — strawberry is regarded as somewhat passé and peach is becoming fashionable.

Whereas a perfume such as Chanel Number 5 includes "fantasy odours", people want a fruit yoghurt to taste of real fruit. Peaches are the obvious source of peach flavour, but concentrated, processed fruit loses some quality and lacks freshness. So food manufacturers need to add components of fresh peach flavour to reinforce the taste of the processed fruit.

Quest started by breaking down the flavour of the best fresh fruit into its chemical components. For the analysis, the Naarden researchers stoned and mashed 750 kg of ripe peaches from the South of France. They extracted the natural flavour chemicals in an organic solvent and, after evaporating the solvent, ended up with just 1.3 grams of "aroma concentrate".

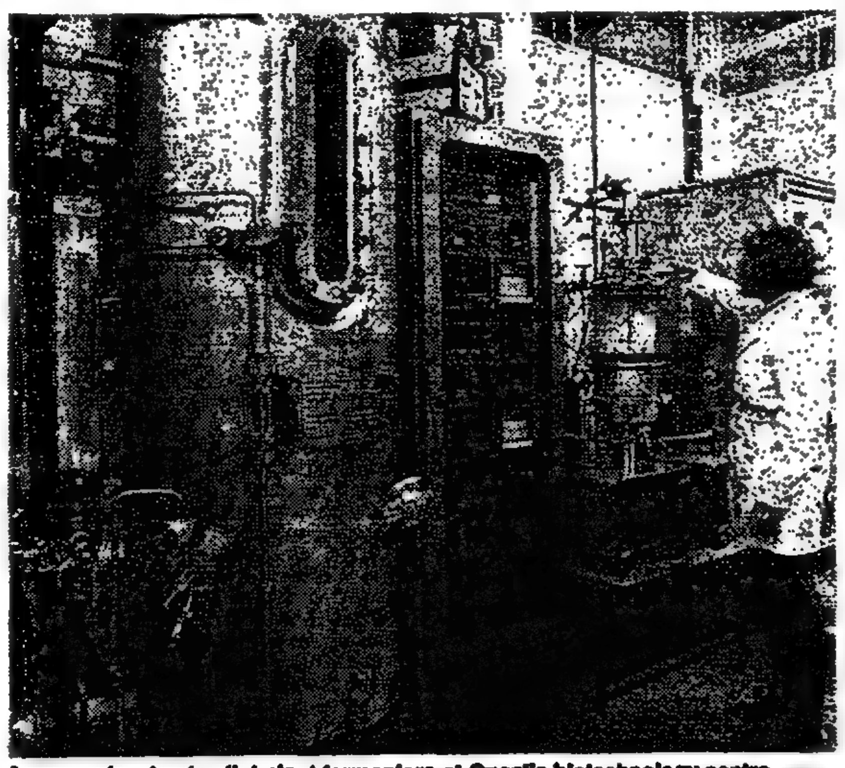
The scientists separated this concentrate into "fractions", by means of high pressure liquid chromatography followed by gas chromatography (GC). Using their own noses — no electronic nose has yet been developed to match the human organ — they sniffed each fraction in turn through a special smell hole in the GC machine.

"Organoleptically" important fractions (the ones judged likely to contribute significantly to the peach flavour) were then analysed chemically by a combination of mass spectrometry and infra-red and nuclear magnetic resonance spectroscopy. So far more than 400 chemical components of fresh peach flavour have been identified and many more are still being studied.

A group of components called lactones are especially important and the Quest researchers are focusing on these as candidates for production through biotechnology. They have already found a natural strain of the food grade yeast *Saccharomyces cerevisiae* which makes one particular lactone, gamma-decalactone, in an industrial fermenter.

The process involves feeding the yeast with ricinoleic acid, obtained from castor oil, which it "bio-converts" into gamma-decalactone. After fermentation, the lactone is isolated by simple extraction and distillation.

Gamma-decalactone is going into commercial production at one of Quest's factories in Ireland and a second important component of peach flavour, delta-decalactone, will follow.



A researcher tends pilot plant fermenters at Quest's biotechnology centre

WORTH WATCHING

Edited by Della Bradshaw

Speed of light in a computer

AN EXPERIMENTAL computer, which processes information using light rather than electricity, has been demonstrated by AT&T Bell Laboratories of the US.

This optical computer system, claimed to be a world first, is a dinosaur in terms of processing speed — it is only as powerful as the chips in a washing machine. But because light travels more quickly than electricity, optical computers should be able to process more than 1,000 times as much data as their electronic brethren.

The AT&T system is based on a group of gallium arsenide, optical switching elements, each with a potential processing speed of 1bn pieces of information every second. The devices rely on molecular beam epitaxy, where materials are built up one atomic layer at a time. Each chip has 1,700 layers.

Commercialisation will depend on advances in lasers. Developments are likely to be evolutionary rather than revolutionary, with optical processing elements progressively finding their way into electronic systems over the next decade.

Initial exploitation is likely to be in telecommunications, where optical computing would be combined with optical fibre cables, and in parallel processing computers. These machines can handle huge amounts of data by splitting it into streams which are processed in parallel.

Sharpening up TV information

A SHARPER, more colourful television information system has been developed by a Norwegian company, Link Communication Systems (LCS), of Oslo, writes Lynton McLain.

The teletext system has 600 times as many colours and is 20 times as sharp as existing teletext systems, allowing designers greater scope with complex and intricate shapes in languages, including Japanese and Arabic, that would not reproduce well on current teletext systems.

Existing teletext has seven colours. The ConCept 3 design from LCS, based on a European standard called Cept 3, can reproduce 4,096 colours, up to 32 of which can be displayed simultaneously.

The screen resolution of the LCS teletext is 110,400 picture elements per screen, compared with the 5,520 of existing teletext systems.

LCS is working with Granada Business Services to market the system, especially to hotels. The first installation is at the Hyatt Carlton Tower Hotel, London.

The healing power of mould

MOULD is set to grow a new image. Instead of an unsightly and unloved addition to loaves of bread, it could promote the healing of wounds.

A team at the British Textile Technology Group (BTTG), in Manchester, has begun a two-year programme to see if micro-fungi can have healing properties when made into medical dressings. The researchers are particularly keen to analyse whether derivatives of the fungus are more effective than dressings made from seaweed (alginates).

The wonder ingredient found in the micro-fungus is chitin, a starch which is also found in the shells of fish, such as oysters or crabs. The advantage of the fungal version is that it grows in microscopic filaments and, therefore, could be more easily converted into dressings than the powder formula derived from shells.

Extending the electric car

ALUPOWER of Kingston, Ontario, has developed aluminium-air fuel cells that have the potential to give electric cars a range of 300 km, or more, without recharging, writes Robert Gibbens.

The recyclable fuel cells use a centimetre-thick sheet of aluminium alloy immersed in an alkaline solution. This interacts with oxygen to free stored energy as electricity. The alloy sheet is replaced periodically.

A Chrysler mini-van will be converted to test the fuel cells next year.

The Alcan Aluminium subsidiary says the new light fuel cells would be used with lead-acid batteries to offset the high cost of the aluminium-air cells. The combination would bring the propulsion costs to about the same as petrol.

Theoretically, the new fuel cells alone could provide a vehicle with a 2,000 km range without recharging.

A bleeper that tells the time

FIRST it was the portable phone. Then came the electronic diary. But the latest electronic badge of yuppiedom must surely be the wrist-watch pager.

In the UK, Mercury Paging will start selling the digital watch-cum-pager from Motorola, of the US, in the spring. The two-ounce timepiece has a liquid crystal display which reveals the time in the top half and the day and date underneath.

When a message is sent, the wrist-watch "bleeps". The message — a phone number, for example — can either be called up on the bottom half of the display or stored, to be looked at later.

- Have bleeper, will travel is the message for the telephone companies of Europe.

Fourteen of them have got together to set up a European messaging system, code-named Ermes, and more are signing up all the time. Ermes will enable messages to be relayed — from the UK to Turkey — over the international telephone networks.

The same 15 radio channels in the VHF wavebands have been allocated for the service throughout the participating countries, so that a pager bought in one country will work in another.

In the UK, seven paging companies will be offering euro-services by the end of 1992, with the effort co-ordinated by the Department of Trade and Industry.

CONTACTS: AT&T: US, 201 949 5581. LCS: Norway, 2 572 626. Granada: UK, 0296 84321. BTTG: UK, 061 445 8141. Alupower: Canada, 613 549 4500. Mercury Paging: London, 528 2500. DTI: London, 215 5000.

COMMODITIES AND AGRICULTURE

Cocoa pact chief urges output cuts

By Mark Huband in Abidjan

COCOA PRODUCING countries should diversify agricultural output rather than wait for prices to rise, the chairman of the International Cocoa Organisation's council said yesterday.

Speaking in Abidjan, capital of the Ivory Coast, the world's leading cocoa producer, Mr Peter Baron, outlined the new ICCO policy of attempting to increase consumption while encouraging cuts in production.

Mr Baron said: "It is important to concentrate our activities in that area because we think there are many opportunities to increase the consumption of cocoa in the traditional and non-traditional markets."

Currently production of cocoa is exceeding consumption by around 200,000 tonnes a year. World output for the current year is estimated at 2.4m tonnes, while consumption is running at about 2.2m tonnes.

Mr Baron, who is currently on a tour of four west African cocoa producers – the Ivory Coast, Ghana, Nigeria and Cameroun – recognised the failure of the International Cocoa Agreement (ICA) to guarantee prices, by suggesting that production must fall in order to re-establish competitiveness: "It is necessary to encourage the transformation of primary products in the producer countries," he said.

The failure of the ICA last year caused both a political and a financial crisis in the Ivory Coast. The country's Agriculture Minister, Mr Denis Bra Kanon, was sacked in October after 14 years in the post. He was blamed for Ivory Coast joining the ICA, a decision which had long-been resisted by the president, Mr Felix Houphouet-Boigny. Now a Minister of State delegated to the president's office, Mr Guy-Alain Gauze, is in charge of cocoa policy, with the intention of keeping a closer presidential eye on the issue.

Under pressure from the World Bank, the Ivory Coast halved the cocoa producer price in September 1989 in an effort to reduce the deficit of the state marketing board, the Caisse de Stabilisation (Caistab). Currently, the producer price stands at 200 CFA francs a kilogram (£420 a tonne). With world market prices on the London Fox falling as low as £621 a tonne for March cocoa, the prospect of an increase in producer prices appears remote.

A new International Cocoa Agreement is scheduled to be negotiated in September 1990, and after a meeting with President Houphouet-Boigny, Mr Baron said he was hopeful that a new deal could be struck which would help to stabilise prices.

"One can at present be optimistic," he said, "because with the support of the Ivory Coast we can arrive at a satisfactory solution by way of co-operation in the cocoa sector, which means the establishment of a new international accord."

Nigeria's 'commercialised' oil industry

Nicholas Woodsworth on efforts to revive an under-funded sector

AT THE end of November the Nigerian Government officially opened a campaign to reform its much-troubled state-owned enterprises. The aim of "commercialisation", as the policy is known, is to re-organise the country's parastatal companies to run themselves on a profit-and-loss basis without government intervention or subsidy.

With the introduction last month of special "implementation committees" charged with restructuring its major public sector companies, the Government has embarked on a course it hopes will lead parastatals away from the gross mismanagement and financial insolvency of the past.

For one of Nigeria's largest and most important state companies, however, commercialisation efforts are already well advanced. In January last year, after two years of internal reorganisation, the Nigerian National Petroleum Corporation put 10 newly-created and financially autonomous subsidiary companies into commercial operation.

While observers agree the shift established a basis for improved performance in an organisation that has been characterised as wasteful, inefficient, and non-profit-oriented, commercialisation did not solve NNPC's major problem – a critical lack of funds for investment in vital new projects.

Six months later, however, NNPC took a controversial step that will go some way to relieving financial strain: for slightly more than US$2bn, in June it sold 20 per cent out of an 80 per cent interest it held in a joint venture with Shell, the largest foreign oil company operating in Nigeria.

In the last year the price of crude oil has risen from around $14 to $18 a barrel, and

Rilwanu Lukman: Wants a bigger Opec quota

at mid-year Nigeria's Opec production quota was raised from 1.3m to 1.501m barrels a day; with a $3bn. increase in oil income, Nigeria's annual net oil revenues are calculated to have risen to $8bn. None the less, NNPC – which turns its profits over to the Central Bank – remains under-funded. It continues to remit "cash calls," by which it pays for its share of costs in operations with its foreign joint venture partners, in oil rather than hard currency.

Increased funding for NNPC operations has now become more crucial than ever, and was the main reason for NNPC's equity sale. If the Nigerian oil industry is not to stagnate, NNPC must raise considerable sums for investment in both exploration and downstream projects.

Mr Rilwanu Lukman, the Petroleum Minister, would like to see Nigeria become eligible for a higher Opec quota. He has therefore called for increases in Nigeria's proven reserves from 16bn to 20bn barrels, and a raising of its production capacity from 1.8m to 2.5m barrels a day. Mr Brian Lavers, Managing Director of Shell, believes that as a result of new technology both objectives are realistic, provided NNPC can inject more funds into its joint venture operations.

Nigerian policy in recent years has been to concentrate on downstream development that will allow for diversification and value-adding in the oil industry. In addition to seeking equity in refining capacity overseas, it is now at a critical stage in the financing of three ambitious and expensive projects to exploit natural gas, gas condensate, and gas feedstock for petrochemical production.

Nigeria's liquefied natural gas project, in which NNPC has a 60 per cent share (Shell has 20 per cent, while Elf and Agip have 10 per cent each), will cost more than $2bn. Mr Lavers hopes European and US purchase contracts will be signed early next year, and main construction contracts issued in 1991.

Established as an incorporated company in May with a capital of $1bn, the LNG project will raise 60 to 70 per cent of its financing through loans. The remaining 30 to 40 per cent will be met by equity participation, a considerable challenge for NNPC.

The country's $880m Oso gas condensate project has had financing difficulties from the beginning. Leaders of the unincorporated project, in which NNPC has a 60 per cent interest and Mobil 40 per cent, have pledges from the World Bank and its affiliate the IFC, and are hoping to syndicate loans through Morgan Guaranty and the Union Bank of Switzerland.

Negotiations are being held up, however, on the technicality of the joint venture's right to pledge unlifted condensate – legally the property of the Nigerian state – as security against such loans. Again, funds from NNPC's equity sale could provide greater loan assurance.

While NNPC's petrochemical phase II project appears to be on track, it too has large capital requirements.

Following NNPC's $2.06bn divestment in its joint venture with Shell (in had held 80 per cent and Shell 20 per cent), Shell's portion was increased by 10 per cent, while Elf and Agip each acquired 5 per cent. While the foreign oil partners have expressed satisfaction with their purchase (Agip called it "the deal of the century"), NNPC's loss of 20 per cent of profits from oil lifted by the joint venture has been severely criticised by Nigerians both inside and outside the industry.

The sale was made far too cheaply, critics argued, and had the bid offer been put to third parties rather than to Shell, Elf, and Agip exclusively, a great deal more money would have been raised. The Petroleum Ministry countered that dollar-per-barrel value comparisons with similar sales elsewhere in the world were invalidated by the high profits accrued through Nigeria's royalty and tax regime.

From either point of view, there are several important advantages to the divestment. In a period of volatile oil markets, NNPC has spread its financial risks. The equity sale to Shell, Elf and Agip has strengthened their commitment to LNG, NNPC's most expensive new project. Under the new joint venture arrangement, NNPC's cash calls have been decreased in proportion to its reduced equity holding. Above all, NNPC is $2bn. richer, and the money will provide much-needed finance for its ambitious, and potentially highly profitable, new ventures.

EC warned against relaxing farm curbs

By Bridget Bloom, Agriculture Correspondent

THE EUROPEAN Community must not be tempted into relaxing its current restrictions on farm production by the possibility of exporting to new food markets in Eastern Europe, since to do so would be to undermine the hard-won reforms of the common agricultural policy.

Agra Europe, the independent Brussels-based newsletter, notes in its latest edition that there are already rumblings towards a more expansionary Community farm policy among Farm Ministers: they spent much time at their Farm Council in Brussels last week discussing the possible removal of quotas and price adjustments enshrined in the so-called budget stabilisers at the centre of the CAP reforms.

But, Agra-Europe points out, "before this budding campaign for expansion gathers way, it is worth pointing out that the Community already has substantial excess production of all the main agricultural products which could be switched from conventional commercial (but heavily subsidised) markets to meet the food demand of the east Europeans."

Surpluses in storage may be low, but the EC still produces 12m tonnes of milk above its needs, as well as 250,000 tonnes of beef, 30m tonnes of grain and many Mediterranean products like wine and olive oil. "The subsidised dumping on world markets of these products surplus to domestic consumption forms the bulk of the current annual Ecu28bn (£20bn) cost of the CAP" it notes.

Agra Europe believes that the EC could expand production to meet demand from Eastern Europe without any further encouragement.

For example, the Community's own experts project cereal production rising from the present 162m tonnes (published last week as the probable 1989 cereal harvest) to beyond 180m tonnes but the mid 1990s.

● The Soviet grain harvest last year amounted to 211.1m tonnes, 16m tonnes up on last year but the same as in 1987.

According to figures just published in Moscow for the first time, this equated with 196.4m tonnes dry weight, compared with against 180.2m tonnes in 1988 and an average of 191.1m tonnes since 1986.

Despite the better figures for last year, production still falls far short of what is needed for self-sufficiency, which is some 235m tonnes, a year according to US experts. The balance is currently made good through imports.

Zinc and lead stocks plunge at London Metal Exchange

By Kenneth Gooding, Mining Correspondent

LONDON METAL Exchange zinc stocks fell by 11,475 tonnes or about 13.5 per cent to 73,675 tonnes last week, almost certainly the biggest weekly fall on record. Lead showed an even greater decline in percentage terms. LME stocks fell by more than 20 per cent or 4,650 tonnes to 18,350 tonnes.

Traders suggested that consumers had been taking steps to protect themselves from the possible impact of the strike at Centromin, Peru's largest lead and zinc producer.

The 10-day strike ended last Thursday and the company expects to lift the *force majeure* declared on January 18 towards the end of this week. Company officials estimate that the stoppage cost more than $8m in lost output.

LME WAREHOUSE STOCKS (Change during week ended last Friday) tonnes	
Aluminium	+11,400 to 87,475
Copper	−225 to 104,150
Lead	−4,650 to 18,350
Nickel	−210 to 7,145
Zinc	−11,475 to 73,675
Tin	−250 to 10,225

Consequently, although zinc and lead prices moved up on the LME yesterday, the rises were relatively small. Special High Grade zinc for immediate delivery rose by $15 a tonne to $1,292.50 while cash lead advanced by £5 a tonne to £423.

Traders also said that Vieille-Montagne, part of the Acec-Union Miniere group and the biggest West European producer of the zinc – accounting for about 11 per cent of world production – had taken metal from LME stocks to cover production shortfalls.

VM has been affected by a strike in Canada which reduced supplies of raw materials to all four of its plants which operate on minimum stock levels. VM's small Belgian smelter at Overpelt, is also suffering from technical problems which have reduced its output by 25 per cent. VM has indicated all its problems should be over by the begining of February.

Traders pointed out that LME zinc stocks remained relatively high and were at a six-year peak of 87,200 tonnes only two weeks ago.

On the other hand, LME stocks of lead are now at a 25-month low.

Dutch and Norwegians in gas pipeline study

By Laura Raun in Amsterdam

THE NETHERLANDS and Norway are considering building a 450-kilometre natural gas pipeline from the Ekofisk field in the North Sea to the Dutch coast at a cost of up to Fl2bn (£630m).

Gasunie, the Dutch natural gas utility, and Statoil, the Norwegian state oil company, said yesterday that such a pipeline – which would be the third Norwegian one to the Continent – would start operating in the mid 1990s. A feasibility study is scheduled to be finished by June so that a final decision can be made by the end of the year. Statoil and Gasunie will jointly study a route ending in Eemshaven on the northern Dutch coast and Statoil alone will study an alternative terminating at Emden, West Germany. Gasunie also may build a floating processor.

Norway wants to increase transport capacity for its vast gas reserves in the North Sea. The Netherlands is keen to link the new pipeline to Dutch soil to further strengthen its already well-developed gas transport system.

Norway's existing two pipelines run from its offshore sector to Emden, West Germany, and from the Troll and Sleipner fields to Zeebrugge, Belgium. The Troll-Zeebrugge pipeline is planned for completion by 1993.

Last October Mr Anton Grotens, the head of Gasunie, predicted a gas shortage in Europe by the year 2000, primarily fueled by climbing demand from Southern Europe. Gas also is becoming increasingly popular because it is a relatively clean fuel, he added.

Gasunie is 10 per cent owned by the Dutch Government; 25 per cent each by Royal Dutch/Shell and Exxon and 40 per cent by DSM, the Dutch chemicals company.

Bangladesh's big rice crop poses problems

By Reazuddin Ahmed in Dhaka

BANGLADESH IS facing storage problem following a bumper winter rice crop this year.

The country built up a 1.3m-tonne emergency food grain stock at the begining of the last fiscal year to cover against the possibility of another severe flood. But the country has been spared.

As the climate was favourable and there was no flood the winter rice crop has been estimated at 9m tonnes compared with normal annual production of 7.5m tonnes. The country has already cancelled an import order of 350,000 tonnes of wheat because of the storage problem.

Bangladesh's annual requirement of food grains is 18m tonnes on the basis of 15 ounces per head per day consumption for 110m people.

On top of the 9m tonnes from the winter crop the dry season crop may raise the food stock by another 6m tonnes. The rainy season's rice crop and the wheat crop together may bring the country food stock close to self-sufficiency this year.

But this is a temporary phenomenon, say the country's agriculturists. They believe that the weather cycle indicates a drought this year and the next two rice crop may be affected. In that event the food grain shortage may remain at its normal 1.5m tonnes this year.

● Shah Moazzem Hossain, the Deputy Prime Minister, told Parliament yesterday that the country's five major silos and 2,695 warehouses were all full and it needed more warehouses for a further 500,000 tonnes, reports Reuter.

Argentine oil earnings soar

By Gary Mead in Buenos Aires

ARGENTINA'S state-owned oil company, Yacimientos Petroleos Fiscales has reported a 111 per cent increase in its earnings from exported oil products in 1989. In US dollar terms 1989 notched up earnings of $349m against the previous year's $165m.

Of the total YPF export volume of 2.56m tonnes, 77 per cent was refined oil products. Argentina has refining capacity surplus to its domestic needs.

Locally-based foreign companies also showed considerably improved figures. Shell, the largest, exported $39m worth of product, a 47 per cent increase over 1988.

Oil imports for 1989 amounted to $85mn, which left Argentina showing a healthy surplus of $330m in the sector.

The Menem administration is taking steps to open up Argentina's oil sector to greater competition. From 1991 private oil companies will no longer have to sell their products to YPF but will be free to offer them to the highest bidder. However, political interests opposed to the gradual easing of YPF into a freer market still threaten to delay such plans.

WORLD COMMODITIES PRICES

LONDON MARKETS

ALUMINIUM prices eased on the LME yesterday as stocks in LME warehouses rose by 11,400 tonnes. There was talk in the market of further substantial arrivals of metal over the coming weeks. Copper stocks fell by 225 tonnes, contrary to expectations. But with no firm lead from Comex, prices closed at the day's lows. Comex would need to recover the psychological support level of $1 a lb for March before London was likely to shake off its generally bearish sentiment, analysts said. Nickel edged ahead – production cuts appear to have halted the major bear trend. On the bullion market gold closed unchanged as profit-taking brought it back from the day's high of around $423 an ounce. Dealers said the lower dollar and weak equity values helped to underpin gold's bullish sentiment.

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$16.80-6.90z	+0.10
Brent Blend	$19.92-9.98z	+.175
W.T.I. (1 pm est)	$22.62-2.66z	+.315
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$219-221	+3
Gas Oil	$170-171	+2
Heavy Fuel Oil	$87-89	-1
Naphtha	$201-202	+1
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$418.75	
Silver (per troy oz)♣	524c	
Platinum (per troy oz)	$515.15	+3.65
Palladium (per troy oz)	$136.65	+0.75
Aluminium (free market)	$1465	
Copper (US Producer)	103⅝-104c	-½
Lead (US Producer)	40.5c	
Nickel (free market)	300c	
Tin (Kuala Lumpur market)	17.51r	
Tin (New York)	304c	+3
Zinc (US Prime Western)	65¼c	
Cattle (live weight)†	110.99p	+0.40*
Sheep (dead weight)†	206.16p	-0.77*
Pigs (live weight)†	87.83p	+4.12*
London daily sugar (raw)	[illegible]	-4.2
London daily sugar (white)	$432.0x	+2.5
Tate and Lyle export price	£327	-5
Barley (English feed)	£112.5w	-0.5
Maize (US No. 3 yellow)	£128.5w	
Wheat (US Dark Northern)	£135	
Rubber (spot)♥	52.50p	-0.75
Rubber (Mar)♥	55.50p	-0.75
Rubber (Apr)♥	56.50p	-0.75
Rubber (KL RSS No 1 Feb)	226.5m	+1.0
Coconut oil (Philippines)§	$427.5x	
Palm Oil (Malaysian)§	$285w	
Copra (Philippines)§	$275	-5
Soyabeans (US)	£169	-2
Cotton "A" Index	73.70c	-0.35
Wooltops (64s Super)	568p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. x-Feb/Mar. t-Jan/Feb. v-Jan/Mar. w-Feb. z-Mar. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg

COCOA – London FOX			£/tonne
	Close	Previous	High/Low
Mar	629	635	637 627
May	642	649	651 640
Jul	656	663	663 654
Sep	671	679	680 671
Dec	696	702	704 694
Mar	714	720	723 713
May	729	734	738 726

Turnover: 4366 (5357) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jan 26 705.10 (700.22);10 day average for Jan 29 756.9 (758.33)

COFFEE – London FOX			£/tonne
	Close	Previous	High/Low
Jan	578	561	587 573
Mar	598	584	602 586
May	592	600	606 590
Jul	604	610	614 600
Sep	615	623	627 613
Nov	635	639	644 643
Jan	650	658	660 650

Turnover: 5097 (4194) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jan 26: Comp. daily 62.91 (62.66). 15 day average 62.47 (62.66)

SUGAR – London FOX			($ per tonne)
Raw	Close	Previous	High/Low
Mar	329.20	327.80	331.00 326.40
May	329.20	329.00	331.00 327.00
Aug	327.20	326.40	329.00 325.80
Oct	317.80	318.40	319.00 316.40
Dec	310.00	315.00	310.00
Mar	294.40	293.00	294.20 294.00
White	Close	Previous	High/Low
Mar	430.5	429.0	431.0 [illegible]
May	428.5	425.0	429.0 [illegible]
Aug	432.5	429.5	433.0 [illegible]
Oct	399.0	396.5	399.0 396.5
Dec	373.0		372.5 372.5
Mar	367.5	364.5	[illegible]
May	367.5	364.5	364.5 364.5

Turnover: Raw 3381 (14835) lots of 50 tonnes. White 1087 (420)
Paris- White (FFr per tonne): Mar 2442, May 2445, Aug 2480, Oct 2305, Dec 2180, Mar 2150.

CRUDE OIL – IPE			$/barrel
	Latest	Previous	High/Low
Mar	20.05	19.73	20.05 19.73
Apr	19.51	19.20	19.52 19.20
May	19.01	18.60	19.03 18.91
Jun	18.70	18.70	18.70
IPE Index	19.70	19.62	

Turnover: 8018 (6627)

GAS OIL – IPE			$/tonne
	Latest	Previous	High/Low
Feb	169.50	168.25	171.00 166.50
Mar	167.50	164.00	167.50 163.50
Apr	161.50	161.50	162.00 160.00
May	160.00	158.25	160.00 158.50
Jun	157.50	157.75	158.50 155.50
Jul	158.50	157.00	156.50 156.50
Oct	162.50		163.50 161.50

Turnover 4299 (5453)lots of 100 tonnes

TEA
A TOTAL OF 33,285 packages was catalogued including 11,180 offshore, reports the Tea Brokers' Association. Better quality Assams sold at fully firm rates with Pekoe Dusts a strong feature. Mediums eased by 3p to 5p per kilo. African teas came to a selective market. Brightest descriptions sold well but medium sorts declined by 5p to 10p. The plain selection of Ceylons on offer attracted little support except for a few brighter lines. In the offshore auction CIF teas met improved demand. Quotations: quality 220p nominal (220p nominal), medium 150p (156p), low medium 108p (112p).

LONDON METAL EXCHANGE	(Prices supplied by Amalgamated Metal Trading)				
	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)					Ring turnover 9,030 tonne
Cash	1443-6	1458-60	1446	1445-6		
3 months	1466-7	1477-8	1480/1465	1466-8	1467-8	-
Copper, Grade A (£ per tonne)					Ring turnover 13,850 tonne
Cash	1335-7	1359-61	1347/1344	1344-5		
3 months	1352-3	1372-4	1365/1342	1355-6	1353-4	-
Lead (£ per tonne)					Ring turnover 4,525 tonne
Cash	421-3	418-9	424.5/423	423-3.5		
3 months	414.5-5.0	411-2	417/409	416-7	413-4	-
Nickel ($ per tonne)					Ring turnover 378 tonne
Cash	6425-50	6375-425	6400	6400-50		
3 months	6300-25	6275-300	6450/6225	6350-75	6200-25	-
Tin ($ per tonne)					Ring turnover 825 tonne
Cash	6555-65	6580-610	6605/6600	6590-600		
3 months	6690-5	6710-30	6785/6680	6720-30	6680-90	-
Zinc, Special High Grade ($ per tonne)					Ring turnover 6,350 tonne
Cash	1290-5	1276-9	1300/1297	1295-7		
3 months	1285-90	1276-80	1305/1286	1290-3	1285-7	-
Zinc ($ per tonne)					Ring turnover 1,800 tonne
Cash	1285-95	1260-70	1310/1308	1305-10		
March 30	1250-60	1230-40		1270-80		-

LME Closing £/$ rate: SPOT: 1.6793 3 months: 1.6533 6 months: 1.6323 9 months: 1.6107

POTATOES – BFE			£/tonne
	Close	Previous	High/Low
Feb	144.0	145.0	
Apr	201.0	201.5	201.7 199.8
May	226.0	225.0	

Turnover 107 (199) lots of 40 tonnes.

SOYABEAN MEAL – BFE			£/tonne
	Close	Previous	High/Low
Apr	132.50	134.00	133.00 132.50
Aug	129.00		129.00

Turnover 105 (1676) lots of 20 tonnes.

FREIGHT FUTURES – BFE			$10/index point
	Close	Previous	High/Low
Jan	1645	1647	1647
Feb	1615	1621	1617 1615
Apr	1645	1650	1648 1643
Jul	1397	1393	1390 1387
Jan	1505		1505
Apr	1520		
BFI	1648	1651	

Turnover 153 (144)

GRAINS – BFE			£/tonne
Wheat	Close	Previous	High/Low
Mar	114.40	114.75	114.50 114.35
May	118.40	118.55	118.65 118.35
Barley	Close	Previous	High/Low
Mar	106.35	106.70	106.50
May	110.40	110.85	110.85 110.40

Turnover: Wheat 132 (212), Barley 48 (82).
Turnover lots of 100 tonnes.

PIGS – BFE			(Cash Settlement) p/kg
	Close	Previous	High/Low
Feb	109.5	110.0	
Apr	113.5	114.5	
Jun	113.5	118.0	113.5
Aug	115.0	115.0	
Oct	114.5	118.0	

Turnover 5 (63) lots of 3,250 kg

LONDON BULLION MARKET		
Gold (fine oz)	$ price	£ equivalent
Close	418½-419	249-249½
Opening	420¼-420¾	250¼-251¼
Morning fix	420.75	250.596
Afternoon fix	418.75	249.657
Day's high	422½-423	
Day's low	417¼-417¾	
Coins	$ price	£ equivalent
Maple leaf	427-432	254-257
Britannia	427-432	254-257
US Eagle	427-432	254-257
Angel	427-432	254-257
Krugerrand	415-419	247½-249½
New Sov.	99-101	59-60
Old Sov.	99-101	59-60
Noble Plat	521.35-529.55	310.70-315.60
Silver fix	p/fine oz	US cts equiv
Spot	312.65	525.60
3 months	323.90	536.15
6 months	335.85	547.30
12 months	358.10	570.65

TRADED OPTIONS				
Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Mar	May	Mar	May
1350	112	127	8	9
1450	35	58	24	38
1550	5	20	93	97
Copper (Grade A)	Calls		Puts	
2100	125	135	23	50
2250	54	83	61	102
2350	27	47	125	164
Coffee	Mar	May	Mar	May
550	40	55	3	14
600	10	27	23	36
650	1	11	64	17
Cocoa	Mar	May	Mar	May
600	33	58	4	16
650	6	30	27	39
700		15	71	71
Brent Crude	Mar	Apr	Mar	Apr
1900		81	7	53
1950	64	55	20	73
2000	25		35	

US MARKETS

THE PRECIOUS METALS opened firm on mixed buying but eased as the US Dollar strengthened and as the US stock market weakened, reports Drexel Burnham Lambert. Long-liquidation depressed prices after the markets failed to follow-through on early strength. Late trade buying and local short-covering pulled prices back from the lows late in the session. Copper, too, saw general long-liquidation as the market failed to follow-through on early mixed buying. Refiner demand strengthened crude oil futures, in light volume, while unleaded gasoline continued to reflect fundamental strength. Heating oil futures tended to follow crude oil and gasoline. Short-covering extended gains. Coffee eased with light origin selling. Sugar featured underlying support from possible physical offtake, although prices were on the defensive from price-fix selling. Cocoa eased with technical selling as the market failed to significantly penetrate overhead rsistance beginnning at 1000 basis March.

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	Previous	High/Low	
Jan	419.1	420.1	419.0	419.0
Feb	419.2	420.3	422.0	416.5
Mar	422.0	423.0	422.0	422.0
Apr	425.1	426.1	427.3	422.1
Jun	430.9	431.9	434.0	426.5
Aug	436.1	437.1	438.0	434.0
Oct	441.5	442.5	0	0
Dec	446.7	447.7	449.0	444.3
Feb	452.1	453.1	0	0

PLATINUM 50 troy oz; $/troy oz.				
	Close	Previous	High/Low	
Feb	525.0	0	0	0
Apr	523.9	523.6	529.0	521.1
Jul	530.4	530.1	534.5	530.1
Oct	536.4	536.6	536.5	536.5
Apr	550.8	550.4	551.0	551.0

SILVER 5,000 troy oz; cents/troy oz.				
	Close	Previous	High/Low	
Jan	521.5	522.2	0	0
Feb	521.5	522.3	0	0
Mar	525.3	526.0	527.5	522.0
May	533.6	534.4	536.0	530.5
Jul	541.7	542.5	544.5	538.5
Sep	550.3	551.1	550.0	549.0
Dec	562.2	563.0	564.0	560.0
Jan	565.8	566.4	0	0
Mar	574.3	575.1	575.1	575.0
May	582.3	583.1	0	0

INDICES				
REUTERS (Base: September 18 1931 = 100)				
	Jan 29	Jan 26	mnth ago	yr ago
	1781.7	1786.0	1811.1	1963.1
DOW JONES (Base: Dec. 31 1974 = 100)				
	Jan 26	Jan 25	mnth ago	yr ago
Spot	127.06	127.05	127.63	140.07
Futures	127.40	128.27	128.74	141.78

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Jan	97.75	100.35	101.65	98.00
Feb	97.45	100.10	[illegible]	97.20
Mar	96.75	98.26	100.30	[illegible]
Apr	96.35	97.45	98.00	96.60
May	96.15	97.25	96.75	96.30
Jun	95.50	96.50	95.60	[illegible]
Jul	95.35	96.25	97.10	96.00
Aug	95.00	95.80	0	0
Sep	94.55	95.25	96.80	95.90
Oct	94.15	94.80	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Latest	Previous	High/Low	
Mar	22.87	22.58	22.75	22.38
Apr	21.83	21.67	21.91	21.57
May	21.36	21.23	21.46	21.18
Jun	20.97	20.86	21.05	20.85
Jul	20.65	20.55	20.73	20.53
Aug	20.35	20.26	20.36	20.25
Sep	20.15	20.03	20.15	20.01
Oct	19.96	19.85	20.00	[illegible]
Dec	19.83	19.66	[illegible]	19.66

HEATING OIL 42,000 US galls, cents/US galls				
	Latest	Previous	High/Low	
Feb	6045	5960	6055	5915
Mar	5860	5776	5880	[illegible]
Apr	5605	5538	5620	5535
May	5495	5385	[illegible]	5390
Jun	5300	5265	5320	5255
Jul	5290	[illegible]	5290	5230
Sep	5420	5360	5420	[illegible]
Oct	5500	5425	5500	[illegible]

COCOA 10 tonnes;$/tonnes				
	Close	Previous	High/Low	
Mar	985	992	1001	982
May	982	982	989	957
Jul	976	994	1000	970
Sep	992	1011	1018	988
Dec	1018	1031	1031	1013
Mar	[illegible]	1047	1051	1030
May	1051	1061	0	0

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
Mar	80.80	81.92	82.25	80.70
May	82.00	82.98	83.30	82.00
Jul	83.85	84.70	85.00	83.75
Sep	85.60	86.43	86.75	85.75
Dec	88.13	[illegible]	88.85	88.00
Mar	90.25	90.50	90.50	90.50
May	92.25	91.30	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Mar	14.87	14.86	14.96	14.78
May	14.85	14.85	14.94	14.74
Jul	14.71	14.71	14.76	14.60
Oct	14.28	14.28	14.34	14.19
Mar	13.62	13.61	13.55	13.45
May	13.44	13.43	0	0

COTTON 50,000; cents/lbs				
	Close	Previous	High/Low	
Mar	64.68	64.51	65.15	64.15
May	66.15	65.95	66.60	65.65
Jul	66.60	66.35	67.05	66.10
Oct	65.05	65.20	65.25	64.95
Dec	63.92	63.95	64.30	63.85
Mar	64.75	64.70	64.70	64.70
May	65.30	65.30	65.00	65.00

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Mar	197.50	196.80	198.95	195.50
May	196.60	196.50	199.75	193.75
Jul	195.45	196.60	197.80	193.05
Sep	189.25	188.25	190.00	187.00
Nov	183.00	184.00	183.00	179.00
Jan	181.00	181.00	181.00	181.00
Mar	179.80	180.60	179.80	179.80
May	180.50	180.90	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
Mar	563/4	559/4	564/0	553/4
May	575/4	570/2	576/0	565/2
Jul	587/4	581/2	588/0	578/0
Aug	592/4	584/6	592/4	582/6
Sep	591/6	583/4	591/6	583/0
Nov	597/4	590/6	598/0	588/4
Jan	607/0	600/2	607/0	598/4
Mar	617/0	610/4	617/0	608/0

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
Mar	19.23	19.03	19.24	18.96
May	19.61	19.41	19.62	19.33
Jul	19.87	19.71	19.88	19.60
Aug	19.92	19.72	19.92	19.65
Sep	19.96	19.75	19.96	19.70
Oct	19.98	19.75	19.99	19.80
Dec	20.15	19.90	20.16	19.86
Jan	20.15	19.90	20.10	20.20

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
Mar	169.7	168.9	169.8	167.1
May	172.7	171.3	172.8	169.8
Jul	175.3	173.7	175.5	172.5
Aug	176.7	175.3	176.7	174.3
Sep	178.2	176.7	178.5	175.6
Oct	179.2	178.0	180.0	177.0
Dec	182.3	180.8	182.5	179.5
Jan	184.0	181.5	184.0	184.0

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
Mar	239/4	239/2	239/6	236/0
May	245/2	243/6	245/4	241/6
Jul	249/2	247/6	249/4	245/6
Sep	248/2	247/2	248/2	245/2
Dec	248/0	246/6	248/2	242/6
Mar	252/4	252/2	252/4	248/6
May	256/0	255/6	256/0	253/4

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	Previous	High/Low	
Mar	378/6	381/2	382/4	371/4
May	366/6	366/2	368/4	361/0
Jul	350/0	348/6	350/2	345/6
Sep	355/4	354/4	356/6	352/2
Dec	367/4	366/0	367/6	363/6
Mar	373/4	372/0	373/4	370/0

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Feb	79.50	79.27	79.47	79.02
Apr	76.85	76.92	77.02	76.55
Jun	72.32	72.27	72.57	72.20
Aug	71.17	71.95	71.57	71.10
Oct	71.90	72.20	72.20	71.62
Dec	72.60	72.75	72.80	72.60

LIVE HOGS 30,000 lb; cents/lbs				
	Close	Previous	High/Low	
Feb	49.15	49.25	49.45	48.80
Apr	47.20	47.37	47.50	46.82
Jun	52.57	52.47	52.72	52.25
Jul	52.98	53.02	52.95	52.70
Aug	51.12	51.00	51.55	51.05
Oct	46.60	46.60	46.70	46.30
Dec	47.00	47.00	47.10	46.90
Feb	47.12	47.40	0	47.12

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
Feb	52.10	54.10	53.20	52.10
Mar	52.42	54.42	53.00	52.42
May	53.47	55.47	53.90	53.47
Jul	53.45	55.45	54.50	53.45
Aug	51.22	53.22	51.50	51.22
Feb	54.65	56.07	55.10	54.50
Mar	55.80	57.80	0	55.80

LONDON STOCK EXCHANGE

Firm start to the new trading account

SHARE PRICES *continued* to move ahead in London yesterday as a firm pound supported the more optimistic views on domestic interest rates prompted by Friday's news of a narrowing in the UK monthly trade deficit. Turnover was light, however, and the market lost momentum after Wall Street opened the new session with a somewhat unexciting response in early trading to the budget statement from President Bush.

The investment institutions were again *selective* buyers of good quality stocks. Bank stocks attracted interest and there was ready support for a handful of speculative situations among manufacturing issues. Traders believed that a mixed – buy and sell – trading programme worth around £100m was under way; BZW, the UK investment bank, denied suggestions of involvement.

Account Dealing Dates		
*First Dealings:		
Jan 15	Jan 29	Feb 12
Option Declarations:		
Jan 25	Feb 8	Feb 25
Last Dealings:		
Jan 26	Feb 9	Feb 23
Account Day:		
Feb 5	Feb 19	Mar 5

*New time dealings may take place from 8.00 am two business days earlier

Traders were poised for a firmer opening as London equities started the new trading account on the back of a strong performance in Tokyo. But in the event, the Footsie showed only a small gain in the first *half hour of full trading* and this largely reflected a batch of ex-dividend quotations in leading shares.

However, the market soon moved ahead, led at first by bank stocks which responded favourably to publication by the Bank of England of a new framework for third world debt provisions. At best, the market was showing a gain of nearly 19 points on the Footsie scale.

A number of firm features developed, including Wellcome, which expects official ruling today in the US on possible extension of Retrovir's usage, and Tate & Lyle, the food group. Trading volume was thin, however, and traders *commented that London might* need further evidence of improvement in the Tokyo and New York stock markets before extending its recent recovery. The market still has to face the February round of annual profits statements from UK companies which is expected to bring some uncomfortable disclosures.

With Wall Street erratic in early deals, London settled below the day's best levels for an uneventful close to the session. At its final reading of 2,328.8, the FT-SE Index was 14.3 higher on the day.

Seaq volume of 420.4m shares compared with 552.7m on Friday. Daily Seaq totals *take in both inter-dealer and* retail business; more detailed statistics from the Stock Exchange show that on Friday, retail business topped the £1bn mark regarded as the sign of a healthy equity market.

With the exception of today's publication of the latest survey of UK industrial opinion by the Confederation of British Industries, the near term outlook is featured by developments in the US, notably the State of the Union address from President Bush on Wednesday.

FINANCIAL TIMES STOCK INDICES

	Jan 29	Jan 26	Jan 25	Jan 24	Jan 23	Year Ago	1989/90 High	1989/90 Low	Since Compilation High	Since Compilation Low
Government Secs	81.77	81.64	81.60	81.08	81.24	88.57	89.29 (8/2/89)	81.04 (18/1/90)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	90.94	90.85	90.95	91.11	91.40	97.09	99.59 (15/3/89)	90.85 (26/1/90)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1863.9	1851.5	1835.5	1828.6	1839.6	1866.4	2008.6 (5/9/89)	1447.8 (3/1/89)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	369.6	370.9	371.5	357.2	319.2	170.6	371.5 (25/1/90)	154.7 (17/2/89)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2328.8	2314.5	2289.9	2278.6	2291.1	2042.9	2463.7 (3/1/90)	1782.8 (3/1/89)	2463.7 (3/1/90)	986.9 (23/7/84)
Ord. Div. Yield	4.60	4.62	4.66	4.67	4.65	4.41				
Earning Yld %(full)	11.22	11.29	11.37	11.42	11.34	11.06				
P/E Ratio(Net)(☆)	10.79	10.73	10.65	10.60	10.68	10.96				
SEAQ Bargains(5pm)	27,369	29,453	25,227	29,917	31,020	48,963				
Equity Turnover(£m)†	-	842.16	1003.09	886.21	886.70	2228.30				
Equity Bargains†	-	29,544	25,957	29,906	29,963	61,587				
Shares Traded (ml)†	-	472.3	472.0	425.5	446.0	949.4				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ☆ Nil 10.74

Ordinary Share Index, Hourly changes — Day's High 1867.0 — Day's Low 1853.3

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1853.3	1863.2	1863.5	1866.4	1865.3	1864.8	1865.3	1863.0

FT-SE, Hourly changes — Day's High 2333.3 — Day's Low 2317.5

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
2317.5	2328.1	2328.1	2332.6	2331.6	2331.2	2331.5	2328.9

GILT EDGED ACTIVITY

Indices*	Jan 26	Jan 25
Gilt Edged Bargains	97.4	104.1
5–Day average	95.4	95.5

*SE Activity 1974. †Excluding intra-market business & Overseas turnover. Calculation of the FT Indices of daily Equity Bargains and Equity Value and of the five-day averages of Equity Bargains and Equity Value, was discontinued on July 31. Closing values for July 28 available on request.
London report and latest Share Index: Tel. 0898 123001.

New views unsettle Unigate

Profits downgradings left Unigate weaker in busy turnover. Mr Richard Workman at Hoare Govett cut his forecast for the current year from £106m to £102m, saying that Wincanton, a Unigate division, was having a tough time in the motor business especially on the commercial vehicle side.

He added that there had been heavy investment in a poultry processing plant which was experiencing delays in coming on stream. Finally, margins in the US cheese business were being squeezed as the company found it hard to pass on to customers recent increases in the cost of milk. He said that the shares were expensive - "on fundamentals they are still 5 to 10 per cent too high," although this reflected a small bid premium.

Dealers said there had been other downgradings, and mentioned Cazenove as having cut *its forecast from £110m to* £100m; Cazenove would not comment, however. Unigate fell 8 to close at 230p, only a penny above the day's low. *Trading volume was high at* 4m shares, roughly three times a typical daily turnover. A block of 1.1m shares was crossed and another block of 1m registered on *the Seaq* ticker – sold into the market, according to dealers.

Blue Arrow gloom

Blue Arrow's reorganisation proposals saw the shares slip a penny to 89p. Among other things the company revealed a 18 per cent decline in profits. It did not pay a dividend and analysts said that it would only begin to pay dividends again after a promise of re-incorporation in the US was fulfilled.

Ms Lorna Tilbian at S.G. Warburg, and Mr Andrew Mills of BZW, agreed that the alternative was either to sell property – difficult because the property market is depressed – or to sell UK operating divisions such as Brook Street, also difficult because their trading outlook is uncertain. Ms Tilbian added that she considered the sale of such subsidiaries as Brook Street was unlikely. She struck an optimistic note on the company which she said was getting the bad news out of the way.

The Bank of England's new guidelines on third world debt provisioning, the "matrix," was greeted with widespread but largely minor gains in bank shares as dealers and analysts said they were unsure of the tax treatment of the provisions. The banks are scheduled *to start announcing* preliminary figures later this month.

Lloyds Bank were the best performing shares, adding 8 more to 291p on turnover of *1.9m, still boosted by talk that* an asset disposal, with Canadian interests mentioned as a possibility, could be imminent. Barclays rose 5 to 559p on 1.1m, Midland 3 to *379p and* NatWest 2 to 339p.

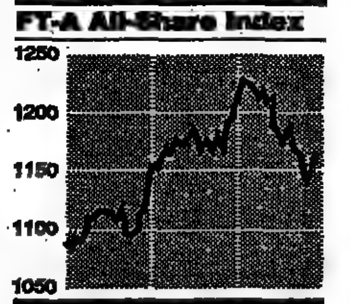
Standard Chartered, one of last week's market favourites on takeover talk, retreated as speculators *sold out on the* idea that the stock had gone too far on no news. At the close the shares were 8 off at 598p with turnover at 1.8m. But *traders remained reluctant to* sell the shares short; "there has been substantial buying of the shares from the far east," said one.

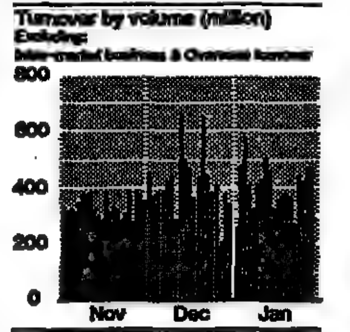
Royal Bank *of Scotland*, talked of as a bid target for most of last year, resumed their upward path after weekend press comment, closing 5½ *firmer at 208p on turnover of* 2.6m. Recent hints suggested that a French predator, Banque Nationale de Paris could be acquiring a stake in the Scottish bank.

Legal & General were 4 higher at 410p after County NatWest put the stock back on its buy list – "it offers a 20 per *cent yield premium, dividend* growth of 35 per cent over the next two years and its up to date appraisal value is estimated to be almaost twice the *present share price," said Mr* David Nisbet, the County analyst. Sun Life rose late to close 10 up at 1325p.

Composite insurers were mixed, despite a round of profits downgrades by BZW. Guardian Royal moved up 5 to 245p albeit in thin turnover of 889,000 shares.

Wellcome continued to advance on hopes that the advisory committee of the US Food and Drug Administration would recommend approval for the Aids drug Retrovir to be used with carriers of the Aids virus who do not show symptoms of the disease. The decision is expected late today. The shares were 29 up at one point, but closed 14 better at 722p. A shortage of stock squeezed *Reckitt and Colman 26 higher to 1239p.*





Weekend press reports that ADT would challenge the Government's golden share in *BAA, where ADT has an 8.2* per cent stake, helped BAA climb 16 to 397p. But volume was moderate at 1.1m shares, and dealers said that several *pence of the rise was a consequence* of attempts to buy a large block of call options.

The sale of Milford Docks by third market-quoted Seacon Holdings to the Milford Haven Port Authority for £5.7m cash, left Seacon's shares 15 higher at 153p.

The oil sector extended its recent advance after further publicity of rising crude oil prices. The latter were some 20 cents a barrel higher at the close. BP, where turnover reached 8.8m shares, were persistently bought after press comment and settled 2 firmer at 334p. Shell moved up 7 to 488p on 2.8m.

LASMO were well supported at 598p after Goldman Sachs labelled the stock a long term buy, saying the shares remained one of the most attractive stocks in the UK exploration and production sector.

Enterprise Oil edged up 2 to 654p in light turnover but dealers noted that 1989 figures are due today from Elf, the French state-owned oil company which has a 25 per cent stake in Enterprise, acquired from *LASMO late in 1988. There has* been speculation that Elf was about to sell its 24.9 per cent holding in Enterprise. Specialists said Elf was expected to produce profits in the region of FFr8-9bn compared with last year's profits of FFr7.2bn.

British Gas were 2 up at 222p ex dividend but turnover was a much reduced 3.4m shares. Kelt Energy closed 3 *higher at 30½p after revealing* a loss of £1.05m compared with a profit of £467,000.

An attempt to place a further 2½m shares in United *Newspapers* proved unsuccessful, according to market traders, the share price losing 2 to 424p. Earlier in the month a similar placing, at 425p, was *several times oversubscribed.*

There were strong suggestions late last night that the 29.9 per cent stake held in USM-quoted Trilion by Brent *Walker had been placed.* Trilion closed unchanged at 46p and Brent Walker 7 higher at 352p. The water stocks attracted persistent but generally *small-scale buying interest.* Mr Nigel Hawkins at Hoare Govett said the water stocks continued to offer good solid yields, averaging 40-45 per cent premiums to the market and highlighted the "secure nature of the water business." South West Water proved the best performer, adding 4 at 180p, while rises of 3 were common to Anglian, 175p, Southern, 157p, and Wessex, 177p. The Package put on 23 to £1623.

In the property sector, Laing Properties enjoyed another good day, moving up 24 to 585p at one stage, then dipping to 571p before closing at 580p. Interest in the stock was widespread, following weekend press comment and the announcement by private company Chelsfield that it might consider a bid. There were few sellers.

Another stock buoyed by bid speculation was British Land, still regarded as being ripe for either a takeover or a big restructuring before long. Speculative interest moved the shares up 4 to 401p.

The property sector as a whole benefited from publicity given to the generous discounts to net asset values at which many stocks were trading. Land Securities, up 3 at 506p, Hammerson "A", 5 higher at 785p, and MEPC, 3 firmer at 506p, all improved.

Last week's share buy-in from Great Universal Stores was seen as putting a floor under the GUS price. Sporadic small purchases lifted the "A" shares 9 to 1035p on desultory volume of 58,000. Sears weakened 2 to 103 in busy turnover of 9.4m shares. Dealers said two lines of stock were overhanging the market.

Wilding Office recovered *sharply from last week's* weakness, induced by a profits warning, and the shares climbed 15 to 93p.

A 22½ per cent fall in *interim profits to £3.1m* at newsagency chain John Menzies left the shares 17 lower at 316p. One securities house had forecast a figure of £6.2m. WH Smith "A", *on the other* hand, firmed 5 to 330p.

John Maunders, the housebuilding group, dipped 3 to 78p after a large line of stock, *believed to be in the region of 4* per cent of the issued capital, was placed in the market.

The new US defence budget, which cut spending by less than some analysts had expected, was greeted with relief, as stocks with strong defence exposure held steady. Weekend press comment had inspired *negative sentiment, and shares* in aerospace companies with high defence exposure had been discounted for a 5 per cent cut, in real terms, in US *spending. The figures,* equivalent to a 2 per cent cut, were what the market wanted to hear. British Aerospace gained 2 at 543p, Dowty and *Rolls-Royce held level at 226p* and 178p respectively, and Smiths Industries gained a penny at 261p.

Vickers, more exposed to British, rather than American, defence spending, firmed 3 to 215p. The price is underpinned by speculation on the stake held by Sir Ron Brierley.

Lucas strengthened ahead of the market, on thin volume for the day. Its exposure to the European Fighter Aircraft project was not regarded as a liability *because it mainly* involves development, not production work. There were also vague rumours of a bid, fuelled by press comment. The shares *closed up 3 at 649p, having* reached 654p.

Brisk trading in Coloroll continued. The price held firm, and was up 1½ at 27p at one *point, but eventually fell back* to close 2 off for the day. The company's announcement that the receivers had been called in to Resolve, a subsidiary, had been *largely discounted,* but contributed to negative feelings as the price dropped. Renewed buying was reported.

British Telecom advanced 6 to 296p, with one of the UK securities houses believed to have recommended a switch into the stock from GEC; the latter were 2½ firmer at 240p, ex-dividend.

Ferranti rose 2½ more to 40½p on turnover of 15m with dealers noting further big *two-way activity in the shares.*

Cable & Wireless advanced 7 more to 548p, still stimulated by the imminent sale of a 16.5 per cent stake in Hong Kong *Telecom to CITIC, the Chinese* Government's investment agency and also by the recent buy note issued by S.G. Warburg Securities.

Thorn EMI continued their recent strong performance, adding 15 more at 779p as electronics and leisure analysts became increasingly aware of news that Mutual Shares Fund of the US has built up a stake of around 3 per cent in the company.

TGI, the consumer electricals group, dropped 24 to 96p after the group warned of a significant reduction in profits for the year to the end of March.

Giftware concern Cowan de Groot moved to 47p, up 4, on news that Wilton had bought a 14.3 per cent holding and was *to seek representation on the* latter's board.

■ Other Market statistics, including the FT-Actuaries share index, London Traded Options, and recent issues (including the water issue stocks) Page 24

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	236	201	-2	Comm. Union	300	436	-3	Lloyds Bank	1,900	291	+8	Sedgwick	382	298	
ABDA Group	1,600	112		Cookson	467	259	+2	LASMO	902	598		Shell Transport	2,800	488	+7
Abbey National	1,700	183	+3	Courtaulds	1,300	387	+6	Lonrho	1,900	278	-1	Siebe	903	445	
Allied–Lyons	457	495	-1	Dalgety	463	390	-5	Lucas	659	649	+3	Slough Ests.	141	318	
Amstrad	1,500	50	+2½	Dixons	363	126	+1	MB Group	3,000	217		Smith (W.H.) A	569	330	+5
Argyll Group	1,300	216	+1	Eng. China Clays	162	424		MEPC	95	506	+2	Smith & Nephew	3,100	123½	+1
Ass. Brit. Foods	391	399		Enterprise Oil	20	654	+2	Marks & Spencer	1,300	198	+4	SmKl Beecham	958	558	+3
BAA	1,100	397	+16	FKI	3,600	70	-4	Maxwell Comms	1,900	213	+8½	SmKl Beecham Units	6	2510	+10
BAT Inds.	1,200	799	-2	Ferranti	15,000	40½	+2	Mecca Leisure	658	157	+2	Smiths Inds.	347	261	+1
BET	639	252	+4	Fisons	647	336	+½	Midland Bank	1,100	379	+3	Standard Chard.	1,800	598	-8
BICC	989	444	+2	Gen. Accident	536	1131	+3	NatWest Bank	3,100	339	+2	Storehouse	1,875	116	
[illegible]															
British Airways	2,100	304	+3	Hanson Warrants	437	57		Bank Org.	416	785	-13	Trusthouse Forte	1,000	293	+3
British Gas	3,400	222	+2	Harrisons Cros.	136	153	+1	Reckitt & Colman	203	1239	+26	Ultramar	1,100	376	+1
British Land	120	401	+4	Hawker Sidd.	585	683		Redland	516	580	+2	Unigate	4,000	230	-8
BP	8,800	334	+2	Hillsdown	740	272	-1	Reed Intl.	1,200	419	+2	Unilever	730	688	
British Steel	1,350	134	+2½	IMI	68	223	+1	Reuters	1,600	1014	-4	United Biscuits	1,100	347	+6
British Telecom	3,300	296	+6	ICI	700	1094	+4	Rolls Royce	2,000	178		Utd. Newspapers	158	424	-2
Burtl	734	107	-1	Inchcape	476	353	-4	Rothmans	157	634	-2	Wellcome	1,300	722	+14
Burmah Oil	114	637	-3	Jaguar	1	849		Ryl Bk Scotland	2,600	208	+5½	Whitbread 'A'	1,000	389	-1
Burton	2,000	190	+4	Kingfisher	1,300	288	+4	Royal Insurance	482	528	-1	Williams Hldgs.	5,800	238	+2
Cable & Wire.	1,000	548	+7	Ladbroke	1,100	322	+2	STC	1,100	251	+3	Willis Faber	47	274	-1
Cadburys	2,100	352	+10	Land Securities	103	505	+2	Saatchi	177	253	+3	Wimpey	1,000	256	-4
Calor Group	91	358	+1	Laporte	294	616	+8	Sainsbury	386	252					
Carlton Comms.	941	788	+9	Legal & General	471	410	+4	Scottish & New.	411	[illegible]	-5				
Coats Viyella	1,300	156		Lloyds Abbey	647	314		Sears	9,400	103	-2				

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

NEW HIGHS AND LOWS FOR 1989/90

NEW HIGHS (87). BRITISH FUNDS (1) Treas. 3pc 1990, BANKS (3) Standard Chart., TSB, BUILDINGS (1) Westminster Bcstg., STORES (1) Brown & Jackson, [illegible] MOTORS (1) Hartwell, PAPERS (2) CIA Grp., TMD Advertising, PROPERTY (3) Laing Props., Do. 8¾pc Ln 2000-05, TRANSPORT (3) BAA, Lon. O'seas Frts., Mast. Ship Canal, OILS (3) Aviva Pet., Gt. Western Res. A, Monument Oil, OVERSEAS TRADERS (1) Pat'son Zoch., MINES (12) BHP Goldmines, Deelkraal, East. Trans. Cons., Elandsrand Gld., Free Sta. Dev., Gld Kalgoorlie, Gencor, Leslie, Winkel & Jack, Ventersspost, West Rand, Zandpan, THIRD MARKET (1) Stockland Oil.
NEW LOWS (52).
AMERICANS (7) Ambase, Bowater, Brunswick, Chemical Banking, Citicorp, Lone Star, Whitman, CANADIANS (2) Gandalf Tech., Rio Algom, BUILDINGS (1) Lafarge Coppee, CHEMICALS (1) Hercules, STORES (3) Heritage, Hollas, Jacques Vert, Parkfide, Sherwood, ELECTRICALS (4) Black & Decker, Forward Grp., Millicom, TGI, ENGINEERING (3) AT Tat, TACE, VSEL Cons., HOTELS (1) City Centre Rest., INDUSTRIALS (5) Cassidy Bros., Chestergate, Colorgen, Lilly (Eli), Third Mile Inv., LEISURE (2) Pavilion Leisure, Quadrant, PAPERS (5) Dudley Jenkins, Hunterprint, Lawson Mardon, Parkway, VPI, PROPERTY (7) Daejan, de Morgan, Embassy Prop., INOCO, McKay Secs., Priest Marians, Do. 6½pc Ln 2000/03, SHOES (1) Strong & Fisher, SOUTH AFRICANS (1) Anglo Am. Ind., TEXTILES (1) Sirdar, TRANSPORT (1) Cons. Freight., TRUSTS (4) Brit. & Com., Guidehouse, IFICO, Renaissance, PLANTATIONS (1) Cons. Plants.

APPOINTMENTS

Unilever changes

Two UNILEVER directors will not be seeking re-election at the annual meetings on May 2 having reached retirement age. They are Sir Geoffrey Allen, director of research and engineering; and Mr Henk Meij, commercial director. Dr Ashok Ganguly, *(pictured)* chairman of Hindustan Lever, a Unilever subsidiary in India, is to be nominated a director of Unilever at the annual meetings.

■ Mr Peter Fuchs, formerly managing director of Steetley Construction Materials, has been appointed managing director of HARGREAVES QUARRIES following completion of the acquisition of Hargreaves by Charter Consolidated.

■ ALLIED DUNBAR ASSURANCE, part of BAT Industries, has appointed Mr Kenneth Inglis as investment director from April 9. He joins the main board and becomes chief executive of Allied Dunbar Asset Management. Mr Inglis, an actuary, was in charge of economic research and global strategy at UBS Phillips and Drew.

■ Mr John Marvin, deputy chairman of Hickson International, has been elected the first chairman of PIMS EUROPE folowing PIMS successful buyout from its parent, SPI of North America. As the nominee of major shareholder 3i, Mr Marvin will lead the new board, made up of PIMS six European regional managers.

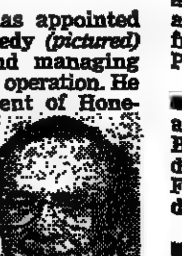
■ RATNERS GROUP has made the following appointments at subsidiaries: Mr Peter O'Malley and Mr Steven Downes become directors of Ratners; and Mr P.E. Fellows, Mr C. Shewring and Mr I. Williams are made directors of H. Samuel.

■ INTEGRAL TECHNOLOGY, part of the Third Wave Group, has appointed Mr Jonathon Worrall as marketing director. He was head of sales at Credit Suisse subsidiary, Citymax.

■ Mr William Heeps, chief executive officer of THOMSON REGIONAL NEWSPAPERS, plans to retire at the end of the year and will become chairman. He will be succeeded as chief executive by Mr Gordon Paul on March 19. Mr Paul was managing director of International Thomson Professional Information.

Chairman of Honeywell

HONEYWELL has appointed Mr Dennis Kennedy *(pictured)* as chairman and managing director of its UK operation. He is a vice president of Honeywell Europe and a member of the company's European policy committee. UK deputy managing director since April 1989, he succeeds Mr Jim McGregor who retires as chairman, and Mr Toby Warson who has been managing director for the past three years. Mr Warson becomes vice president, business development, for Honeywell's international *operations.*



■ Mr John Rylance has been appointed as a shareholding director of DOWNHAM ROSE FINANCIAL SERVICES, and Downham Rose General Insurance Services, at Bury, Lancs.

■ PARKWAY GROUP has appointed Mr Mike Emery as UK managing director.

■ Sir John B. Hall, previously with Bank of America, London, has been appointed a managing director of THE NIKKO BANK (UK).

■ DURALAY, Haslingden, has appointed Mr Gordon Fletcher as personnel director. He joins from the East Lancashire Paper Mill Co.

■ ECI VENTURES has appointed Mr Bruno Bandenburg as managing director of ECI Germany, Frankfurt. He was managing director of Conteg.

■ Dr Alton G. Keel Jr has joined the board of RIGGS A.P. BANK, London, as a non-executive director.

■ Mr Brian Colvin, sales director, has been *promoted* to managing director of COLBROOK EQUIPMENT, Alton. He is the son of the founder and chairman Mr Len Colvin.

Mr Utz Reiff *(pictured)* has been appointed director of operations at OSAKA GAS EUROPE, London, a company established to arrange new ventures between Europe and Asia in the fields of energy management, environment conservation, and community-based enterprises. He is a graduate of Japan's Sophia University, and was with Price Waterhouse Management Consultants.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

Stock	Yield Int.
Treas 12pc 1995	11.88
Exch 3pc Gas 90-95	4.00
Exch. 10¼pc 1995	10.83
Treas 12¾pc 1995‡‡	12.13
Treas. 14pc '96	12.77
Treas. 9pc 1992-96‡‡	10.04
Treas 15¼pc 1996‡‡	13.12
Exch 13¼pc 1996‡‡	12.30
Conversion 10pc 1996	10.68
Treas 13¼pc 1997‡‡	12.21
Exch 10½pc 1997	10.94
Treas 8¾pc 1997‡‡	9.94
Exch 15pc 1997	12.80
Exch. 9¾pc 1998	10.55
Treas 6¾pc 1995-98‡‡	8.64
Treas. 15½pc '98‡‡	12.70
Exch. 12pc 1998	11.58
Treas 9½pc 1999‡‡	10.35
Exch. 12¼pc 1999	11.63
Treas. 10½pc 1999	10.90
Conversion 10¼pc 1999	10.82
Treas. 8½pc Ln 2000‡‡	9.92
Conversion 9pc 2000‡‡	10.14
Treas. 13pc 2000	11.76
Treas 10pc 2001	10.66
Treas. 14pc '98-01	12.39
Conversion 9¾pc 2001	10.66
Exch. 12pc '99-02	11.60
Conversion 10pc 2002	10.61
Treas 9¾pc 2002	10.52
Exch. 9pc 2002	10.24
Treas. 13¾pc 2000-03	11.99
Treas 10pc 2003	10.52
Treas. 11½pc 2001-04	11.24
Treas. 10pc 2004	10.48
Funding 3½pc '99-04	6.52
Conversion 9½pc 2004	10.32

Over Fifteen Years

Stock	Yield Int.
Conversion 9½pc 2005	10.29
Exch. 10½pc 2005	10.52
Treas. 12½pc 2003-05	11.11
Treas. 8pc 2002-06‡‡	9.87
Treas. 11¾pc 2003-07	10.99
Treas 8½pc 2007‡‡	9.89
Treas. 13½pc '04-08	11.21
Treas. 9pc 2008‡‡	10.00
Treas. 9pc 2008 B	9.99
Treas 8pc 2009	9.78
Conv 9pc Ln 2011‡‡	9.96
Treas. 5½pc 2008-12‡‡	9.10
Treas. 7¾pc 2012-15‡‡	9.80
Exch. 12pc '13-'17	10.28

Undated

Stock	Yield Int.
Consols 4pc	10.19
War Loan 3½pc‡‡	10.07
Conv. 3½pc '61 Aft.	5.79
Treas. 3pc '66 Aft.	9.64
Consols 2½pc	10.15
Treas. 2½pc	10.32

BRITISH FUNDS—Contd

Index-Linked

[illegible]

INT. BANK AND O'SEAS

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Contd

[illegible]

CANADIANS

[illegible]

Continued on next page

LONDON SHARE SERVICE

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BANKS, HP & LEASING

1989/90 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
*303	216	ANZ SA1	290	–1	44c	1.4	7.3	9.7
191	134	Abbey National 10p	183	+3	L7.7	2.7	5.6	7.5
*282	120½	Allied Irish Ord	267	–4	m068%	3.3	3.0	13.8
£13½	£11⅝	Algemene Fl 10	£12½	+¼	Q28%	2.0	7.4	6.8
*80	61	Anglo Irish	73	......	Q18.7%	2.7	6.0	10.0
81	57	Ansbacher (H.) 1p	75	+3	2.0	–	3.6	–
£72¼	£38⅛	Bancaire Cie Fr100	£61¼	–¼	MQ12¼%	–	2.1	–
£46¼	£35⅝	Banco Bilbao Viz	£39¼	...	Q35.7%	2.0	3.5	14.4
£33	£26⅝	Banco de Santander	£27⅝	....	Q21%	2.4	2.9	14.3
*286	169	Bank Ireland Ir£1	269	–5	mQ12.3%	3.2	4.3	9.2
£19⅞	£17½	Bank Leumi	£19½	.	–	–	–	–
350	345	Bank Leumi (U.K.)	345	...	r13.5	–	5.2	–
125	88	Bank Scotland	115	+2	r3.8	3.6	4.4	8.3
111¼	95½	Do. 9¼pc Irrd Pf	97½	+½	9¼%	–	12.6	–
*67	49	Bank of Wales	54		2.8	1.6	6.9	11.3
*582	404	Barclays £1	559	+5	†23.0	3.5	5.5	6.4
37	19	*Benchmark 20p*	20	+1	1.63	1.0	10.8	11.5
363	285	Brown Shipley £1	321	+1	†10.5	–	4.4	–
455	325	Cater Allen £1	415	+3	23.5	–	7.6	–
259	157	Chancery	174		†8.0	2.8	6.1	7.7
£23	£14½	Commerzbk DM10	£21¼	+⅛	Q19%	–	3.1	–
*£29	£22⅝	C'hgn Hbk Kr100	£25⅛	...	ΨQ15%	–	5.4	–
£16⅞	£10⅛	Dai Ichi KBk Y50	£12⅝	+⅛	†Q16%	8.8	0.3	42.7
*£314¼	£156¼	Deutsche Bk DM50	£291½	+¼	Q24%	–	2.5	–
£22¼	£17⅝	Espirito Santo	£19½	–⅛	Q75c	3.3	2.3	13.3
260	182	First Nat. Fin. 10p	218	+2	13.0	♦	8.0	♦
134	90	FNFC 6.5pc CnRedPref	111	....	6.5%	–	7.6	–
£26⅝	£13½	Fuji Bank Y50	£14¼	..	Q15.6%	4.2	0.2	–
325	230	Gerrard & National	285	–3	18.5	–	8.7	–
154	118	Guinness Mahon 10p	154	..	♦2.1	–	1.8	–
300	197	Hambros 20p	288	+2	†10.0	–	4.6	–
116	90	Do. 7.5pc Cv Pf	115		7½%	–	8.7	–
60	39	Hk & Shang HK$2.50	56	–½	HQ36c	–	5.2	–
495	423	Joseph (Leo) £1	478	...	15.65	–	4.4	–
145	115	King & Shaxson 20p	138	......	9.25	–	8.9	–
422	277	Kleinwort Benson Grp	406	...	14.0	–	4.6	–
305	213	Lloyds £1	291	+8	†h11.3	4.5	5.1	5.8
56	40	Lon. Scot. Bank 10p	52½	–½	2.4	♦	6.2	♦
406	287	Midland £1	379	+5	†h16.4	3.3	5.8	7.1
£15¼	£12¼	Mitsubishi Bank Y50	£12½	–¼	†Q16%	8.1	0.3	45.4
£14¼	£11¼	Mitsubishi Tst & Bk Y50	£11½	–¼	Q16%	8.2	0.3	41.1
934	802	Mitsui Tst & Bk Y50	833	+6	Q16%	7.1	0.4	34.9
552	257	Morgan Grenfell £1	540	....	♦†10.85	–	2.7	–
*352	269	Nat Aust. Bk. A$1	311	–2	sQ32c	1.9	4.9	13.5
365	255	NatWest £1	339	+2	†h14.12	4.4	5.6	5.3
£220	£160	Ottoman Bank	£205		Q90%	–	4.4	–
83	46	Rea Bros Group	48	+2	0.5	–	1.4	–
*240	155	Rothschild (J) Hldgs	190	–3	†9.5	3.6	6.7	5.4
218	139	Royal Bk Scotland	208	+5½	7.2	3.8	4.6	7.3
822	699	Saitama Bank Y50	723	–6	†Q13%	4.7	0.4	56.4
*£13¼	£10¼	Sanwa Bank Y50	£11¼	+¼	†Q16%	8.3	0.3	40.4
1735	870	Schroders £1	1650	.	19.5	–	1.6	–
1275	655	Do. £1 N/V	1225	–10	19.5	–	2.1	–
£33⅛	£19¼	Sec. Pacific $10	£21¼	–¼	Q$1.96	–	5.9	–
*612	449	Standard Chartd £1	598	–8	33.9	2.9	7.6	5.1
£19⅞	£13¼	Sumitomo Bank Y50	£14½	+¼	†Q16%	7.5	0.2	57.9

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

For Audio Fidelity see Wharfdale

ELECTRICALS – Contd

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INDUSTRIALS (Miscel.) – Contd.

INSURANCES

LEISURE

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MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

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TOBACCOS

[illegible]

TRANSPORT

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

Finance, Land, etc

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

MINES—Contd

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
51	34	Sempernova..........y	34	.....	–	–	–	7.5
39	20	Sleepy Kids 5p.....y	27	.....	–	–	–	–
*17½	5	Stats Hldgs 5p......	5½	.....	–	–	–	13.0
*3¼	1¼	Swanyard Studios 1p y	1½	.....	–	–	–	7.2
11	2½	Systems Connection 2½p y	3	.....	–	–	–	3.9
50	28	Tavern Leis. 20p. α	36	–1	♦	–	–	–
115	28	Tomorrows Leisure 20p y	89	–3	–	–	–	33.9
113	55	UPL Group 10p.. ..y	55	.....	2.75	1.9	6.7	10.4
150	128	Unit Group ....y	131	.....	5.0	3.3	5.1	7.5
100	66	Video Magic Leis. 1py	87	.....	W2.0	0.7	3.1	69.8
14	4½	Vista Ents 5p.......y	4½	.....	–	–	–	–
40	15	Vizcaya Hldgs 5p.. y	18	.....	–	–	–	–
46½	23	Whitegate Leisure 20p y	40½	.....	0.25	♦	0.8	♦
32½	10	Do. Wrrnts...........y	27	–1	–	–	–	–
10½	4½	Witton Group 1p. .y	4½	.....	–	–	–	–

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, y Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsetable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ◆ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ☆☆ Not officially listed.
- ¶ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress
- ♣ Not comparable
- ◆ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend
- ‡ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- || No par value

B.Fr. Belgian Francs. Fr. French Francs. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or -
Albany Inv 20p.... y	85	.....
Craig & Rose £1.. y	830	.....
Finlay Pkg. 5p. y	57	+1
Holt (Jos) 25p.....y	1348	.....

IRISH

Stock	Price	+ or -
Cap. 8½% Ln. 1991	£96¾	.....
9pc Cap Ln. 1996..	£95¼	.....
Fin. 13% 97/02...	£114	.....
Arnotts	405	.....
Carroll (P.J.) ......y	162	–3
Hall (R. & H.)	190	.....
Helton Hldgs ......y	100	.....
IFG.	285	.....
United Drug.........	161½xd	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials

Stock	p
Allied-Lyons	41
Amstrad	6½
Astec (BSR)	5¼
BAT	67
BOC Grp	44
BTR	37
Barclays	40
Blue Circle	20
Boots	23
Bowaters	39
Brit Aerospace	46
British Steel	9
Brit. Telecom	22
Cadburys	31
Charter Cons	42
Comm Union	40
Courtaulds	31
Eurotunnel	65
FKI	8
FNFC	22
Gen Accident	92
GEC	19
Glaxo	60
Grand Met	44
Guardian	19
GKN	33
Hanson	18
Hawker Sidd	55
ICI	90
Jaguar	85
Ladbroke	25
Legal & Gen	31
Lex Service	26
Lloyds Bank	21
Lucas Inds	54
Marks & Spencer	16
Midland Bk	26
Morgan Grenfell	38
Nat West Bk	23
P & O Dfd	51
Polly Peck	38
Racal Elect	20
PHM	39
Rank Org Ord	72
Reed Intnl	34
STC	25
Sears	9
SmKl Beecham A	48
TI	38
TSB	9
Tesco	16
Thorn EMI	63
Trust Houses	23
T&N	16½
Unilever	57
Vickers	22
Wellcome	55

Property

Stock	p
Brit Land	27
Control Secs	5
Land Securities	45
MEPC	45
Mountleigh	13

Oils

Stock	p
Brit Petroleum	25
Burmah Oil	65
Charterhall	2½
Conroy Petlm	9
Premier	10½
Shell	37
Tuskar Res	12
Ultramar	28½

Mines

Stock	p
Lonrho	23
RTZ	45

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £1050 per annum for each security.

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
American Income	6	49.8	49.8	53.27	-0.80	5.14
Gilts & Fixed Int	6	106.3	106.3xd	112.7	-0.4	9.76
High Inc Equity	6	135.8	135.8xd	145.3	+0.4	4.37
Worldwide Bond	6	200.6	200.6	212.6	-1.6	6.07
Capital Growth						
American Growth	6	177.1	177.1xd	189.5	-4.2	1.16
Asian Pacific	6	124.8	124.8	132.2	-1.4	[illegible]
Assets & Earnings	6	158.0	158.0	169.0	+0.9	2.19
Capital Reserve Acc	0	80.53	80.53	80.65	+0.06	6.77
Capital Reserve Inc	0	78.56	78.56	78.65	+0.08	7.62
Comdty & Energy	6	116.1	116.1	124.2	-0.4	1.53
Dividend & Growth	6	45.81	46.71	49.7		4.53
1992 Enterprise	6	62.01	62.01	66.33	-0.19	2.52
Euro Capital Acc	6	98.96	98.73	105.1	-0.3	0.72
Euro Capital Inc	6	95.37	95.06	101.2	-0.3	0.73
General	6	178.5	178.5	191.0	+1.3	2.62
International	6	61.07	61.37xd	65.82	-0.35	0.76
Japan	6	116.5	116.5	123.6	-0.2	0.00
Mastertrust	6	90.11	90.11	96.38	-0.38	1.76
UK Growth Acc	6	181.4	181.4	194.1	+0.2	1.64
UK Growth Dist	6	130.0	130.0	139.0	+0.3	1.49
US Emerging Cos	6	50.75	50.75	53.56	-1.31	0.00
Income & Growth	6	303.4	303.4	324.5	+1.3	3.16
Ethical	6	49.1	49.37	52.38	-0.07	1.90

Airtrust Management Ltd (1000)H
10 Queens Terrace Aberdeen AB9 1QJ 0800 833580

Brycourt Unit Tst Mngmt Ltd (1400)F
Hesketh Hse Portman Sq, W1H 0JR 01-935 6382

Buckmaster Mangmt Co Ltd (1200)H
The Stock Exchange, London EC2P 2JT 01-588 2868

Burrage Unit Tst Mangmt Ltd (0905)F
117 Fenchurch St, London EC3M 5AL 01-480 7210

CCF Foster Braithwaite UT Mngt (1100)F
3 White Hart Yard, London SE1 1NX 01-407 5966

CCL Unit Trusts Ltd (1400)F
74 Shepherds Bush Green, W12 8SD 01-740 7070

CIBC Unit Tst Managers plc (1200)H
Cottons Ctr, Cottons Lane, Ldn. SE1 2QL 01 234 6000

CIS Unit Managers Ltd (1000)F
PO Box 105, Manchester M60 0AH 061 837 5060

CS Fund Managers Limited (1000)H
125 High Holborn, London WC1V 6PY 01-242 1148

Canada Life Unit Tst Mgrs Ltd (1200)F
High St, Potters Bar Herts. EN6 5BA 0707 51122

PK English Trust Co Mngmt Ltd (1000)F
12 Carthusian St, London EC1M 6EB 01-796 1700

† Dealing Day: Wed. *Dealing day: Thurs.

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ✠ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ▲ - 1401 to 1700 hours; ♦ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

هكذا من الأصل

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	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Thornton Unit Managers Ltd (1600)F						
33 Cavendish Sq., London W1M 7HF 01-493 7262						
Dealing 01-493 8545						
American Opps	5	46.17	47.22	50.36	-1.26	1.07
(Accum Units)	5	47.52	48.60	51.83	-1.27	1.07
European Opps	5	68.40	68.75	73.33	-0.35	0.00
(Accum Units)	5	68.77	69.13	73.73	-0.36	0.00
Far Eastern Opps	5	138.45	138.71	147.94	-0.25	0.00
(Accum Units)	5	139.33	139.59	148.89	-0.25	0.00
Golden Opps	5	46.30	46.30xd	49.38	+0.10	0.00
(Accum Units)	5	47.63	47.63xd	50.79	+0.10	0.00
Intl Hi-Yield	5	57.51	58.00xd	61.86	-0.53	4.43
(Accum Units)	5	62.43	62.97xd	67.15	-0.58	4.43
Sanyo Japan Tst	5	76.29	76.29	81.17	-0.22	0.00
(Accum Units)	5	76.29	76.29	81.17	-0.22	0.00
Kangaroo	5	33.43	33.43	35.65	-0.09	2.48
(Accum Units)	5	33.62	33.62	35.85	-0.09	2.48
Oriental Income	5	34.08	34.08	36.34	-0.27	5.38
(Accum Units)	5	38.20	38.20	40.74	-0.30	5.16
Pacific Technology	5	[illegible]	[illegible]	[illegible]	-0.39	0.00
(Accum Units)	5	60.87	60.87	64.92	-0.39	0.00
Tiger	5	145.64	146.24	155.98	-1.78	0.72
(Accum Units)	5	147.91	148.52	158.42	-1.80	0.72
UK Hi-Yield	5	43.17	43.17	46.04	.....	4.94
(Accum Units)	5	[illegible]	[illegible]	[illegible]	.....	4.94
UK Opps	5	[illegible]	[illegible]	[illegible]	-0.06	1.99
(Accum Units)	5	59.16	59.16	63.20	-0.06	1.99
Three Counties Asset Mngmt Ltd (1430)F						
Cuthbert House, Tower Rd, Washington NE37 2SH 091 415 3034						
Balanced Portfolio	6	94.00	94.00	100.0	.....	4.00
Touche Remnant Unit Tst Mngt Ltd (1600)F						
Mermaid Hse, 2 Puddle Dock, EC4 01-248 1250						
4 Hourly Pricing—12 Noon Historic						
TR American Grth	5¼	44.07	44.07	47.00	-1.12	0
TR Eur Sp Sits Acc	5¼	41.30	41.30	43.93	+0.12	0
TR Eur Sp Sits Inc	5¼	40.50	40.50	43.08	+0.12	0
TR General Growth	5¼	75.90	75.90xd	80.74	+0.30	2.75
TR Global Tech	5¼	69.41	69.41	74.05	-0.87	0
TR Income Growth	5¼	89.04	89.04xd	94.70	+0.70	4.38
TR Income Monthly	5¼	58.48	58.48	62.21	[illegible]	6.74
TR Japan Growth	5¼	97.10	97.10	103.08	-0.22	0
TR Overseas Growth	5¼	67.20	67.20	71.67	-0.29	0
TR Smaller Cos	5¼	83.86	83.86	89.21	+0.31	2.95
TR Special Opps	5¼	96.49	96.49	102.64	-0.06	2.79
TR [illegible]	5¼	34.35	34.35	36.54	-0.08	2.30

	Bid Price	Offer Price	+ or -	Yield Gross
J. Rothschild Fund Managers Ltd				
Intl Exempt	156.5	158.4	.....	1.50
Stewart Ivory & Co Ltd				
Saints PPP Jan 12	264.6	278.6	.....	–
Closed to new business				
Thornton Unit Managers Ltd				
Managed Exempt Jan 25	103.69	110.21xd	.....	3.76
(Accum Units)	104.32	110.88xd	.....	3.76
Touche Remnant Unit Tst Mngt Ltd				
TR Exempt European	1080	1095	.....	1.63
TR Exempt Nth Amer	903	918	.....	3.64
TR Exempt Pac Basin	1001	1014	.....	0

INSURANCES

	Bid Price	Offer Price	+ or -	Yield Gross
AA Friendly Society				
Investment Mngt, M & G Inv Mngt Ltd				
AA Friendly Sy Jan 12	–	177.0	.....	–
Abbey Life Assurance Co Ltd				
80 Holdenhurst Road, Bournemouth 0202 292373				
Prop. Ser. 1	301.2	317.1	.....	–
Equity Ser. 1	134.0	141.1	+0.8	–
Prop. Acc. Ser 2	464.4	488.9	.....	–
Equity Ser 2	155.5	163.7	+0.9	–
Selective Acc	349.9	368.4	+1.3	–
Prop. Ser. 4	362.8	381.9	.....	–
Equity Ser. 4	157.0	165.3	+0.8	–
Man. Ser. 4	446.5	470.0	+0.9	–
Fixed Int. Ser. 4	216.4	227.9	-0.4	–
Indexed Inv. Ser. 4	142.2	149.6	+0.3	–

	Bid Price	Offer Price	+ or -	Yield Gross
Laurentian Life plc—Contd.				
Life Funds				
Equity Ser 3 Acc	495.7	521.8	+2.3	–
Gtd Managed Acc	345.9	364.1	-1.3	–
Pension Funds				
Pens Equity	666.8	701.9	+3.9	–
Pens Managed	609.2	641.3	+1.5	–
Pens Gilt-Edge	379.2	399.2	-1.7	–
Pens Deposit	366.9	386.2	.....	–
Pens Property	559.8	589.3	.....	–
Swiss Bond	179.8	189.3	-0.1	–

	Bid Price	Offer Price	+ or -	Yield Gross
Merchant Investors Assurance Co Ltd—Contd.				
MI Intl Equity		390.1	-0.1	–
MI Intl Equity Pens		614.4	-0.2	–
MI International Fund		370.2	+0.5	–
MI Intl Fd Pens		541.5	+0.9	–
MI Nth American Equity Fund		135.0	-0.7	–
MI Nth Am Equity Pens		150.2	-1.1	–
MI Far East Equity Fund		339.2	+0.5	–
MI Far East Equity Pens		466.2	+1.0	–
MI Currency Fund		203.1	.....	–
MI Currency Fd Pens		260.9	+0.1	–
MI Index Linked		155.4	+0.3	–

OTHER UK UNIT TRUSTS

Continued on next page

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National Financial Management Corp PLC
72 Gatehouse Rd, Aylesbury, HP19 3XJ 0296 395539

	Bid Price	Offer Price	+ or –	Yield Gross
Life Funds				
Managed Cautionary	105.4	111.0	+0.6	–
Managed Growth	141.3	148.8	+0.2	–
Managed Opportunity	145.3	153.0	+0.2	–
NFMC Target Financial	103.2	108.7	+1.4	–
Pension Funds				
Managed Cautionary	110.0	115.8	+0.5	–
Managed Growth	145.5	153.2	+0.3	–
Managed Opportunity	148.5	156.4	+0.2	–
NFMC Target Mngd Pen	1544.0	1625.3	+3.2	–

National Mutual Life
The Priory, Priory Pk, Hitchin SG5 2DW 0462 422422

	Bid Price	Offer Price	+ or –	Yield Gross
Managed Fund	227.8	239.8	----	–
Managed Prospect Fund	191.1	201.2	----	–
Pens Managed	285.8	300.9	----	–
Pens UK Equity	343.0	361.1	----	–
Pens Overseas Equity	373.7	393.4	----	–
Pens Property	173.5	182.7	----	–
Pens Fixed Interest	176.7	186.1	----	–
Pens Index Linked	143.9	151.5	----	–
Pens Deposit	187.7	197.6	----	–
Harvester & P.R.P.				
UK Equity	149.9	157.8	----	–
Overseas Equity	133.6	140.7	----	–
Fixed Interest	120.8	127.2	----	–
Property	144.4	152.0	----	–
Index Linked	130.7	137.6	----	–
Deposit	130.2	137.1	----	–
Managed	144.0	151.6	----	–
With Profits	133.8	140.9	----	–

National Provident Institution
48 Gracechurch St, London EC3P 3HH 01-623 4200

	Bid Price	Offer Price	+ or –	Yield Gross
Managed	349.9	368.2	-0.2	–
UK Equity	450.3	474.0	+1.4	–
Overseas Eq.	349.9	368.4	-1.5	–
Americas	251.8	265.1	-4.5	–

Providence Capitol Life Asc. Co Ltd – Contd.

	Bid Price	Offer Price	+ or –	Yield Gross
Property Initial		168.8	+0.1	–
Money Initial		78.3	+0.1	–
Special Market Initial		138.5	-1.8	–
Japan Equity Initial		119.9	+0.3	–
North American Initial		79.9	-1.0	–
Pacific Initial		82.1	---	–
Technology Initial		107.5	---	–
Nat Resources Initial		56.9	-0.3	–
European Initial		102.8	+0.4	–
Residential Prop Init		103.7	---	–
Swiss Equities Initial		35.1	-0.5	–
Hong Kong Initial		45.2	-0.5	–
UK High Inc Eq Init.		70.0	+0.3	–
Int Fixed Interest Init.		50.6	+0.4	–
Int Managed Init		56.4		–
HIP Managed Init		115.0	+0.1	–
Broker Funds				
High Performance	74.3	78.3	-0.1	–
Towerhill Mngd Fd Acc.	52.5	55.3	+0.3	–
YRA Executive Fd	92.9	97.9	-0.3	–
£ Global Growth Acc.	130.5	137.6	--	–
£ High Income Money Acc.	111.4	117.7	--	–
IM Balanced		56.1	+0.1	–
H F Speculator Fd.		154.5	+0.7	–
PEP Acorn II		126.3	+0.2	–
PEP Cautionary		97.6	---	–
AAFS Int Man Fund		119.1	+0.3	–
Andrews Green Inv Port.		105.3	----	–
Individual Pension Funds				
UK Equity Acc	229.3	240.9	+1.9	–
UK Fixed Interest Acc.	177.8	187.6	-0.8	–
Intl Equities Acc.	244.8	258.3	-0.2	–
UK Managed Acc.	184.8	194.9	+0.8	–
Property Acc.	212.0	223.7	--	–
Money Acc.	134.3	141.7	+0.1	–
Special Market Acc.	279.7	295.1	-4.8	–
Japan Equity Acc.	251.2	265.0	+0.9	–
North American Acc.	123.7	130.5	-1.6	–
Pacific Acc.	202.3	213.4	---	–
Technology Acc.	182.7	192.8	----	–
Natural Resources Acc.	112.0	118.2	-0.6	–

Royal Heritage Life Assurance Ltd – Contd.

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Standard Life Assurance Company

Sun Alliance Group

Sun Life of Canada (UK) Ltd

Sun Life Unit Assurance Co Ltd

Swiss Life (UK) PLC

TSB Life Ltd

Target Life Assurance Co Ltd

Teachers' Assurance Company Ltd

Tunbridge Wells Equitable 0892 515353

UK Life Assurance Co Ltd

Wesleyan Assurance Society

Windsor Life Assur Co Ltd

Zurich Life Assurance Co Ltd

Sharp (Albert E.) & Co.
12 Newhall Street, Birmingham B3 3ER 021 200 2244

	Bid Price	Offer Price	+ or –	Yield Gross
Man-Clerical Med.	147.6	155.4	+0.9	–
Pens Man NM	673.5	708.9	+2.0	–

Siltala Fund Managers Limited
Siltala House, The Causeway, Bishop's Stortford, Herts. 0279 757696

	Bid Price	Offer Price	+ or –	Yield Gross
Siltala Managed Funds				
Royal Heritage SDF	103.3	108.8	----	–
Royal Heritage CGF	132.1	139.1	----	–
Royal Heritage HIF	139.9	147.3	----	–

South Yorks Investment Management

Tattersall Investment Mgmt. Ltd

Towry Law & Co

University Medical General Ltd.

J. D. Ward Financial Services Ltd

Westcourt Asset Management Ltd

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

David M. Aaron (Personal Fin. Plans.) Ltd

The Analysis Group PLC

Blackstone Franks Plc

Bryan Wells & Partners Ltd

Cameron Lee & Company Ltd

James Campbell & Son Financial Services

Clifton Financial Mgmt Ltd

Edinburgh Financial Managers Ltd

Hinton Hill (L & P) Ltd

Investment Portfolio Services Ltd

J.P.S. Lamont

Janssens Fry Financial Services Ltd

Knight Williams & Company Ltd

M & K Financial Management Plc

Marsh Financial Management Ltd

O'Halloran & Co/Countrywide

PBR Fund Management Ltd

Petley & Co Ltd

Roxborough Financial Management Ltd

Rutland Inv Mng & Inv Gp (PBRIG)

GUERNSEY (SIB RECOGNISED)

BBV-Hambros Asset Mngmt (Guernsey) Ltd

Cygnus International Fund Mngrs (CI) Ltd

Gartmore Fund Managers (Guernsey) Ltd

Guinness Flight Fd Mngrs (Guernsey) Ltd

Hambros Fd Mgrs (CI) Ltd

Leopold Joseph Fund Mngmt (Guernsey) Ltd

Midsource Brown Intl Fd Mngrs Ltd

Lazard Fund Mngrs (Channel Islands) Ltd

Lloyds Intl Money Market Fund Ltd

Prolific International Mngmt Ltd

Rothschild Asset Management (CI) Ltd

Royal Bank of Canada Funds
RBC Offshore Fund Managers Ltd
PO Box 246, St Peter Port, Guernsey 0481 23021

	Init. Chrge	Bid Price	Offer Price	+ or –	Yield Grs
Intl Capital Fd	5	$53.68	53.68	50.29 (2)	–
Far East & Pacific Fd	5	$43.18	43.18	46.77 (2)	–
North America Fd	5	$13.62	13.62	14.72 (2)	–
Canadian Fd.	5	C$13.06	13.06	14.10 (2)	2.34
Intl Bond Fd	5	$11.99	11.99	12.69 (2)	–
European Fund	5	$12.12	12.12	13.13 (2)	–
British Fund	5	£5.16	5.16	5.60 (2)	–
RBC Intl Currencies Fd Ltd					
US$		$–		33.59	+0.02
Canadian $		C$–		44.81	+0.01
£ Sterling		£–		19.62	+0.01
D Mark		DM–		65.58	+0.02

JERSEY (SIB RECOGNISED)

Barclays International Funds

Capital House Fund Mgrs (CI) Ltd

Gartmore Fund Managers International Ltd

John Govett (Channel Islands) Ltd

Hill Samuel Fund Mgrs (Jsy) Ltd

Lloyds Bank (CI) U/T Mgrs.

MIM Britannia International (Jersey) Ltd

Royal Trust Jsy Fd Mngt Ltd

TSB Trust Funds (CI)

IoM (SIB RECOGNISED)

Allied Dunbar Intl. Fund Mgrs

Asset Global Funds Ltd

CIBC Fund Managers (IoM)

Gartmore Fund Managers (IoM)

Refuge Overseas (IOM)

Sun Life Management (IoM) Ltd

LUXEMBOURG (SIB RECOGNISED)

AEtna Federated Intl Mngrs (Lux) SA

Barclays Intl Funds (Luxembourg)

CNI Asset Management (Luxembourg) SA

DWS

Dresdnerbank Asset Mngmt SA

Eagle Star Intl-Global Assets Fund

Fleming Group

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Foreign & Colonial Management Ltd
1 Laurence Pountney Hill, London EC4R 0BA 01-623 4680
Foreign & Colonial Portfolio Fund

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Am Sml Cos Eqt(1-2)		$-	10.41		—	—
Oriental Eqty(1-8)		$-	12.07		+0.05	—
European Eqty(1-3)		$-	24.29		-0.02	—
Nordic Equity		$-	14.16		+0.15	—
Amer Majors Equity		$-	9.06		-0.06	—
West Pacific Equity		$-	10.68		+0.01	—
Medit'r'n Equity		$-	9.48		-0.03	—
British Equity		$-	9.91		+0.12	—
US Dlr S-Term Asset		$-	9.45		—	8.75
Stg Short-Term Asset		$-	10.25		+0.02	12.50
Nth American Bond		$-	10.01		-0.02	8.6
Multi-Currency Bond		$-	10.46		-0.04	8.60
Sterling Bond		$-	9.71		—	10.00
ECU Bond		Ecu-	10.00		—	—

* Daily dealing

Gartmore Luxembourg SA
23 Rue des Bruyeres L-1274 Howald Lux 010 352 491841
Gartmore Portfolio Fund

Nth Amer Equity	$-	1.95	+0.01	—
British Equity	£-	1.02	—	—
Nordic Equity	SKr-	10.35	-0.07	—
Cont'l European Equity	DM-	16.65	+0.01	—
Japan Equity	Y-	525.00	—	—
Pacific Equity	Y-	354.00	-2.00	—
Developing Mkts	$-	1.01	+0.01	—
Natural Resources	$-	2.06	—	—
W'wide Recovery	$-	1.98	-0.02	—
Intl Equity	$-	1.32	—	—
Dollar Bond	$-	1.96	-0.01	—
Sterling Bond	£-	1.00	—	—
European Currency Bond	Ecu-	1.48	—	7.35
Intl Conv Bond	$-	2.06	+0.01	—
Dollar Reserve	$-	2.00	—	—
Sterling Reserve	£-	1.04	—	—
Deutschemark Reserve	DM-	5.00	—	—
Yen Reserve	Y-	504.00	—	—

Henderson Management SA
21-25 Allee Scheffer L-2520 Luxembourg
01-638 5757 or 010-352 462232

NM Financial Mgmt Intl Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Mngd. Currency	£6.585	6.919	-0.019	3.99

NM Portfolio Selection Fund Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Convalence	£1.078	1.144	+0.002	1.32
Far East Gwth	$2.435	1.536	+0.011	0.00
Smaller Co's	£0.997	1.060	+0.003	1.18
Special Sits	£1.010	1.074	+0.001	0.74
Intl Bond	$0.904	0.961	+0.003	5.48
American Fund	$1.864	1.982	-0.007	2.33
American Smaller Cos	$1.156	1.229	-0.024	0.00
Australian Fund	£1.672	1.778	-0.017	1.78
British Fund	£1.554	1.658	+0.010	5.29
European Fund	£2.179	2.318	+0.012	0.89
Gold Fund	£0.806	0.857	-0.004	0.00
Hong Kong Fund	$1.519	1.615	-0.022	3.56
International Fund	£2.452	2.543	+0.022	0.35
Japanese Fund	£3.151	3.352	+0.003	0.00
Japan Smaller Cos	£5.285	5.620	-0.075	0.00
Singapore & Malaysian	£1.443	1.536	-0.019	0.00
Dollar Fixed Interest	$0.991	1.054	-0.003	6.92
Sterling Fixed Int	£0.904	0.961	-0.002	11.47
Deutschemark Currency		DM5 038	—	2.36
Dollar Currency		$1.000	—	4.92
Sterling Currency		£1.027	—	10.49
Yen Currency		Y200.8	—	1.40
Managed Currency	£1.001	1.064	-0.003	6.94

Nikko Capital Mgmt (Europe) Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Japan Index Fund	Y4,085	4,125	—	—
New Generation Fd. $	$23.48	23.71	—	—
Japan Index Alpha	Y12,577	12,768	—	—
Jap Sector Rotation	Y10,404	10,558	—	—

Stronghold Asset Mngmt (Guernsey) Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Tech and Comm	£11.84	12.47	—	—
Pacific Basin Fd	$115.88	122.09	—	—
Western European	$18.96	20.18	—	—

Tyndall International (Guernsey) Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Capital Defender	$1.23	1.30	-0.01	—
Hi Yield Bond	62.8	66.1	-0.1	15.15
Internat. Spec. Sits	53.0	55.8	+0.1	—
Marunouchi Fd	91.6	96.2	+0.5	—

U.S. Treasury Securities Fund Ltd

JERSEY (**)

SWITZERLAND

CANADA

GUERNSEY (**)

DUBLIN (**)

OFFSHORE INSURANCES

ISLE OF MAN (**)

LUXEMBOURG (**)

OTHER OFFSHORE FUNDS

Nomura Asia Europe Fund

	Bid Price	Offer Price	+ or -	Yield Gross
NAV Jan 29		$11.15	+0.09	—

Nomura Dragon Global Fund

NAV Jan 29		$10.95	—	—

Nomura Growth Fund SA

NAV Jan 29		Y17,922	-41	—

Nomura Prudential Fd Pt II

NAV Jan 29		$15.36	—	—

Nomura Prudential Global Portfolio

NAV Jan 29		$14.82	-0.03	—

Nomura Rosenberg Alpha Fund Mark II

Portfolio A: NAV		$12.70	—	—
Portfolio B: NAV		$10.62	—	—

North Star Fund Managers (Cayman) Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Invest Fund	DKr257.0	258.0	—	—
Low Risk Fund	DKr200.0	201.0	—	—
High Perf Fund	DKr235.0	236.0	—	—
Bond Fund	DKr157.0	158.0	—	—
Second Low Risk Fd	DKr165.0	166.0	—	—
Second High Perform Fd	DKr187.0	188.0	—	—
Mixed Intl Fd	DM144.0	145.0	—	—
Invest Fd (Cayman)	DKr114.0	115.0	—	—
High Perf Fd (Cayman)	DKr119.0	120.0	—	—
Bond Fd (Cayman)	DKr114.0	115.0	—	—
Mixed Fd (Cayman)	DM111.0	112.0	—	—
High Security Fd	DKr118.0	119.0	—	—
High Income Fd	£9.9	10.0	—	—

Norway Fund Management A/S

	Bid Price	Offer Price	+ or -	Yield Gross
SM Norway Gth Fd	76.04	79.88	—	3.84

Transworld Bond Trust

	Bid Price	Offer Price	+ or -	Yield Gross
NAV Jan 29		$11.13	+0.01	—

Tyndall International (Bermuda) Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
American Special Sits	$42.66	44.80	-0.40	—
Capital Preservation	$10.16	10.67	—	—
Commodity Jan 26	$26.50	27.83	—	—
Eurobond	$29.08	30.54	+0.26	—
Money Jan 29	$33.97	35.67	—	6.89
Mortgage Jan 26	$13.71	14.40	—	—
North American	$35.78	37.58	-0.09	—
Overseas	$29.28	30.75	-0.17	—
Pacific Gold	$5.63	5.92	+0.02	—
Tiger	$43.39	45.57	(z)	—

US Pacific Stock Fund

NAV Jan 29		$16.78	—	—

Unico Invest Fd Mgt Co SA Lux
London & Continental Bankers Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Unico Invest. Fund	DM69.66	71.90d	—	3.00
Unico Equity Fund	DM62.45	64.32	—	3.00

Union-Investment-Gesellschaft GmbH

	Bid Price	Offer Price	+ or -	Yield Gross
Unifonds	DM36.21	38.10	+0.30	—
Unirak	DM79.57	83.55	—	—
Unirenta	DM34.38	35.50	—	—

Viking Fund-SICAV

Warburg Inv Mngmt (Isle of Man) Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Dollar Fd BOPUPs	$10.65	10.66	—	—
Dollar Fd OPUPs	$12.81	13.00	—	—

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Sterling's attractions increase

STERLING LOOKED an attractive alternative in routine and subdued foreign exchange trading yesterday. There were no strong factors influencing the dollar or D-Mark, and the exchanges took a more favourable view of the pound.

This was partly the result of the narrower than feared UK current account deficit in December, but it may have also reflected the recent move out of other high yielding currencies, such as the Canadian and Australian dollars.

This increased demand for sterling at a time when UK interest rates will remain high and the trade position is showing signs of improving, according to Mr John Major, the UK Chancellor. The pound is also regarded as a reasonably safe currency as the turmoil continues in Eastern Europe and the Soviet Union.

The possibility of an improving UK economic situation, yield differentials in favour of London and a stable political background helped the pound rise 2.20 cents to $1.6785. It also climbed to DM2.8200 from DM2.8050; to Y240.25 from Y237.25; to SFr2.4925 from SFr2.4800; and to FFr9.5750 from FFr9.5250. According to the Bank of England sterling's index advanced 0.4 to 88.5.

The Canadian dollar was slightly firmer, after recent intervention by the Bank of Canada to support the currency and last week's reversal of the downward trend in the Canadian bank rate. At the close in London the US dollar had eased to C$1.1380 from C$1.1940.

The Australian dollar also had a slightly better day, rising to 76.35 US cents at the London close, from 76.00 cents on Friday. Earlier in Sydney trading was quiet, with the Australian dollar finishing at 76.25 cents. It fell from a peak of 76.55 cents, on reports of Japanese selling.

Recent indications have pointed to Japanese investors moving out of the high yielding Canadian and Australian dollars, as interest rates supporting both currencies have tended to ease.

The US dollar lost ground to the D-Mark, but was little changed against the Japanese yen. There were no fresh factors, but speculation about an easing of the Federal Reserve's monetary policy weighed on the dollar. Publication of the proposed US budget for the next financial year had little impact.

The dollar fell to DM1.6795 from DM1.6930; to SFr1.4855 from SFr1.4975; to FFr5.7050 from FFr5.7500; and to Y143.15 from Y143.30. On Bank of England figures the dollar's index fell to 66.7 from 67.1.

Members of the European Monetary System traded quietly, with all currencies holding within their agreed divergence limits. The Italian lira remained the strongest EMS currency. The lira was steady against the D-Mark, but rose to an 18-month high against the dollar at the Milan fixing. The dollar was fixed at L1,244.05, against L1,255.30 on Friday.

EURO-CURRENCY INTEREST RATES

Jan 29	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	14¾-14⅝	14 13/16-14⅞	15 1/16-15	15⅛-15 1/16	15 1/16-15	15 1/16-14 13/16
US Dollar	8 1/16-8⅛	8¼-8⅛	8⅜-8¼	8⅜-8¼	8 7/16-8⅜	8⅝-8½
Can Dollar	12⅝-12⅛	12⅜-12⅛	12¼-12	12⅛-11⅞	11 13/16-11 11/16	11 11/16-11 9/16
D. Guilder	8½-8¼	8⅝-8½	8¾-8⅝	8⅞-8¾	9-8⅞	9 1/16-8 15/16
Sw. Franc	9¼-9	9½-9¼	9 11/16-9 9/16	9 11/16-9 9/16	9 11/16-9 9/16	9 9/16-9 7/16
Deutschmark	7 13/16-7 11/16	7 13/16-7 11/16	8-7⅞	8 5/16-8 3/16	8 7/16-8 5/16	8⅝-8½
Fr. Franc	10¼-10⅛	10¼-10⅛	10 11/16-10 9/16	11 1/16-10 15/16	11 5/16-11 3/16	11¼-11⅛
Italian Lira	13-11	13½-12½	13-12½	13-12½	13-12¾	13½-13¼
B. Fr. (Fin)	10⅞-10⅝	10⅞-10⅝	10¼-10⅛	10 11/16-10 9/16	10¾-10⅝	10¾-10⅝
B. Fr. (Con)	10⅝-10¼	10⅝-10¼	10¾-10⅝	10¾-10⅝	10⅞-10¾	10 15/16-10 13/16
Yen	6½-6⅜	6¼-6⅛	6¾-6⅝	7 1/16-6 15/16	7 3/16-7 1/16	7⅜-7¼
D Krone	12 3/16-12 1/16	12¼-12⅛	12 3/16-12 1/16	12 1/16-11 15/16	11 15/16-11 13/16	11¾-11⅝
Asian $Sing	8⅜-8¼	8 7/16-8 5/16	8 7/16-8 5/16	8½-8⅜	8 9/16-8 7/16	8⅝-8½

Long term Eurodollars: two years 8¾-8⅝ per cent; three years 9-8⅞ per cent; four years 9 3/16-9 1/16 per cent; five years 9¼-9⅛ per cent nominal. Short term rates are call for US Dollars and Japanese Yen, others, two days' notice.

POUND SPOT- FORWARD AGAINST THE POUND

Jan.29	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6690 - 1.6815	1.6780 - 1.6790	0.85-0.83cpm	6.01	2.62-2.59pm	6.21
Canada	1.9910 - 2.0010	1.9945 - 1.9955	0.35-0.26cpm	1.84	1.18-1.04pm	2.23
Netherlands	3.16 - 3.18¼	3.17¼ - 3.18¼	1½-1⅜cpm	5.46	4½-4¼pm	5.53
Belgium	58.60 - 58.95	58.80 - 58.90	22-15cpm	3.78	66-55pm	4.12
Denmark	10.83½ - 10.90	10.86¼ - 10.87¼	2⅜-1⅞orepm	2.41	7⅛-6⅜pm	2.53
Ireland	1.0580 - 1.0640	1.0630 - 1.0640	0.30-0.25ppm	3.10	0.95-0.85pm	3.39
W Germany	2.80½ - 2.82¼	2.81¾ - 2.82¼	1½-1⅜pfpm	6.15	4½-4⅜pm	6.32
Portugal	246.50 - 250.05	247.45 - 248.45	8-35cdis	-1.04	108-195dis	-2.44
Spain	181.80 - 182.45	182.10 - 182.40	6-1cpm	0.23	4-17dis	-0.23
Italy	2087¼ - 2098¾	2097½ - 2098½	4-2lirepm	1.72	11-9pm	1.92
Norway	10.85 - 10.88¼	10.86¼ - 10.87¼	3¼-2½orepm	3.11	8¼-7¼pm	3.04
France	9.53¼ - 9.58	9.57 - 9.58	3-2¾cpm	3.70	9-8⅝pm	3.70
Sweden	10.23¼ - 10.27¼	10.26¼ - 10.27¼	N/A	N/A	N/A	N/A
Japan	239¼ - 240¼	239¾ - 240¼	1⅝-1½ypm	7.83	4⅝-4¼pm	7.21
Austria	19.73 - 19.83	19.79 - 19.82	11¼-10groPM	6.40	31¼-28⅝pm	6.10
Switzerland	2.48¼ - 2.49¼	2.48¾ - 2.49¾	1¼-1cpm	5.14	3-2⅞pm	4.74
ECU	1.3790 - 1.3810	1.3800 - 1.3810	0.43-0.40cpm	3.61	1.23-1.18pm	3.49

Commercial rates taken towards the end of London trading. Belgian rate is convertible francs. Financial franc 58.80-58.90 Six-month forward dollar 5.05-5.00 12 Months 9.23-9.13pm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Jan.29	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6690 - 1.6815	1.6780 - 1.6790	0.85-0.83cpm	6.01	2.62-2.59pm	6.21
Ireland†	1.5780 - 1.5845	1.5780 - 1.5790	0.47-0.42cpm	3.38	1.43-1.33pm	3.49
Canada	1.1855 - 1.1960	1.1860 - 1.1890	0.40-0.43cdis	-4.19	1.17-1.23dis	-4.04
Netherlands	1.8810 - 1.8930	1.8920 - 1.8930	2.07-1.17cdis	-7.05	3.65-3.85dis	-7.87
Belgium	34.90 - 35.20	35.00 - 35.10	5.00-8.00cdis	-2.23	16.00-21.00dis	-2.11
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. † UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 35.00-35.10.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Jan 29	% change from central rate	% change adjusted for divergence	Divergence limit %
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

£ IN NEW YORK

Jan.29	Latest	Previous Close
£ Spot	[illegible]	1.6640
1 month	[illegible]	0.87pm
3 months	[illegible]	2.65pm
12 months	[illegible]	9.12pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Jan.29	Previous
[illegible]	[illegible]	[illegible]

CURRENCY RATES

Jan.29	Bank rate %	Special* Drawing Rights	European † Currency Unit
[illegible]	[illegible]	[illegible]	[illegible]

CURRENCY MOVEMENTS

Jan.29	Bank of England Index	Morgan Guaranty Changes %
[illegible]	[illegible]	[illegible]

OTHER CURRENCIES

Jan.29	£	$
S. Af (Cm)	4.2715 - 4.2830	2.5490 - 2.5505
S. Af (Fn)	5.5195 - 5.6130	3.2895 - 3.3450
Taiwan	43.85 - 43.95	26.15 - 26.20
U.A.E.	6.1320 - 6.1360	3.6720 - 3.6730

*Selling rate

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS; LIFFE US TREASURY BOND FUTURES OPTIONS; LIFFE BUND FUTURES OPTIONS; LIFFE £/$ OPTIONS; LIFFE EURODOLLAR OPTIONS; LIFFE SHORT STERLING OPTIONS

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT; US TREASURY BONDS 8%; 6% NOTIONAL GERMAN GOVT. BOND; 6% NOTIONAL LONG TERM JAPANESE GOVT. BOND; THREE MONTH STERLING; THREE MONTH EURODOLLAR; THREE MONTH EUROMARK; THREE MONTH ECU; FT-SE 100 INDEX; POUND-$ (FOREIGN EXCHANGE)

CHICAGO

U.S. TREASURY BONDS (CBT) 8%; U.S. TREASURY BILLS (IMM); DEUTSCHE MARK (IMM); JAPANESE YEN (IMM); SWISS FRANC (IMM); THREE-MONTH EURODOLLAR (IMM); STANDARD & POORS 500 INDEX; PHILADELPHIA SE £/$ OPTIONS

10 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES; OPTION ON LONG-TERM FRENCH BOND (MATIF); THREE-MONTH PIBOR FUTURES (MATIF)

	Open	Close	Change	High	Low	Yield	Open Int.
March	88.65	88.66	+0.01	88.67	88.78	-	9,925
June	89.05	89.05	-0.03	89.10	89.04	-	5,676
September	89.27	89.32	+0.02	89.32	89.27	-	867
December	89.50	89.30	-0.05	89.50	89.30	-	156

Estimated volume 6,902 Total Open Interest 16,624

CAC-40 FUTURES (MATIF) Stock Index

	Open	Close	Change	High	Low	Open Int.
January	1892.0	1898.5	+18.5	1907.5	1892.0	2,921
February	1892.0	1895.5	+11.0	1905.0	1892.0	3,754
March	1894.0	1898.0	+18.5	1908.0	1894.0	621
June	-	-	-	-	-	17

Estimated volume 5,661 Total Open Interest 7,313

BASE LENDING RATES

	%		%		%
ABN Bank	15	Co-operative Bank	*15	NatWestminster	15
Adam & Company	15	Coutts & Co	15	Northern Bank Ltd	15
Allied Trust Bank	15	Cyprus Popular Bk	15	Norwich Gen. Trust	15
Allied Irish Bank	15	Dunbar Bank PLC	15	Nykredit Mortgage Bank	15½
● Henry Ansbacher	15	Duncan Lawrie	15	PRIVATbanken Limited	15
Associates Cap Corp	14	Equatorial Bank plc	15	Provincial Bank PLC	16
Authority Bank	15	Exeter Trust Ltd	15½	Roxburghe G'rantee	15½
● B & C Merchant Bank	15	Financial & Gen. Bank	15	Royal Bk of Scotland	15
Bank of Baroda	15	First National Bank Plc.	16	Royal Trust Bank	15
Banco Bilbao Vizcaya	15	● Robert Fleming & Co.	15	● Smith & Williamson Secs.	15
Bank Hapoalim	15	Robert Fraser & Ptnrs.	15½	Standard Chartered	15
Bank Credit & Comm.	15	Girobank	15	TSB	15
Bank of Cyprus	15	● Guinness Mahon	15	● United Bk of Kuwait	15
Bank of Ireland	15	HFC Bank plc	15	United Mizrahi Bank	15
Bank of India	15	● Hambros Bank	15	Unity Trust Bank Plc	15
Bank of Scotland	15	Hampshire Trust Plc	15½	Western Trust	15
Banque Belge Ltd	15	Heritable & Gen Inv Bnk.	15	Westpac Bank Corp.	15
Barclays Bank	15	● Hill Samuel	§15	Whiteaway Laidlaw	15
Benchmark Bank PLC	15	C. Hoare & Co.	15	Yorkshire Bank	15
Brit. Bk of Mid East	15	Hongkong & Shangh	15		
● Brown Shipley	15	● Leopold Joseph & Sons	15		
CL Bank Nederland	15	Lloyds Bank	15		
● Charterhouse Bank	15	Meghraj Bank Ltd	15		
Citibank NA	15	McDonnell Douglas Bnk.	15		
City Merchants Bank	15	Midland Bank	15		
Clydesdale Bank	15	Mount Banking	15		
Comm. Bk. N. East	15	Nat Bk. of Kuwait	15		

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MONEY MARKETS

Soft tone continues

THE TONE on the London money market remained soft yesterday as sentiment continued to benefit from Friday's announcement of better than expected UK trade figures

As sterling improved on the trade position interest rates eased slightly, where changed, but trading was generally quiet.

The threat of higher bank base rates has faded, but there is also little expectation of lower rates in the foreseeable future. Three-month sterling interbank was quoted at 15 3/32-15 1/16 per cent, compared with 15⅛-15 1/16 on Friday, and 12-month money was unchanged at 15 1/16-14 15/16.

UK clearing bank base lending rate 15 per cent from October 5

The Bank of England initially forecast a day-to-day credit shortage of £200m, but revised this to £300m at noon and to £400m in the afternoon. Total help of £299m was provided.

The authorities did not operate in the market before lunch, but in the afternoon bought £174m bills outright, by way of £75m bank bills in band 1 at 14⅞ per cent; £3m Treasury bills in band 2 at 14¾ per cent; and £96m bank bills in band 2 at 14¾ per cent. Late assistance of around £125m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £1,039m. This outweighed Exchequer transactions adding £270m to liquidity, a fall in the note circulation of £535m, and bank balances above target of £15m.

In Frankfurt call money fell to 7.50 from 7.60 per cent as banks were well supplied with liquidity towards the end of the month. Public sector salary payments boosted the amount of money held by the banks.

The only factor keeping the market cautious was the size of the Bundesbank's reserve requirement for January. This was provisionally set at DM60.3bn, but in the present circumstances it is feared that the final figure could be higher. This will be announced after the end of the month, when the central bank has more details of the commercial banks cash holdings. Reserve holdings eased to DM57.7bn last Thursday, from DM59bn on Wednesday, to average DM61.1bn for the first 25 days of January.

The Bundesbank will set the terms of this week's securities repurchase agreement tender today, and is expected to offer a two-tranche pact at variable bid rates, offsetting two facilities totalling DM29.7bn expiring on Thursday.

FT LONDON INTERBANK FIXING

(11.00 a.m. Jan.29) 3 months US dollars; 6 months US Dollars

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime) — Treasury Bills and Bonds

Prime rate; Broker loan rate; Fed.funds; Fed.funds at intervention … Two year 8.28; 30-year 8.52

Jan.29	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	7.45-7.55	7.95-8.10	7.90-8.05	8.05-8.20	8.30-8.45	8.00
Paris	10¼-10⅞	10¼-10⅞	-	11-11⅛	-	9.50
Zurich	8¾-9¼	9⅝-9¾	-	9⅝-9⅞	-	-
Amsterdam	8.30-8.40	8.60-8.70	-	8.80-8.90	-	-
Tokyo	6 11/16-6 11/16	6 13/16-6 15/16	-	6 15/16-7	-	-
Milan	12½-12⅞	13¼-13¾	-	13-13½	-	-
Brussels	8.60	10¼-10½	-	10½-10⅝	-	-
Dublin	11¾-11 13/16	11 15/16-12 1/16	11 15/16-12 1/16	12-12⅛	11 15/16-12 1/16	-

LONDON MONEY RATES

Jan 29	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	15⅛	14 15/16	15⅛	15⅛	15⅛	15
Interbank Bid	14¾	14 13/16	15	15	15	14⅞
Sterling CDs.	-	-	15 1/16	15 1/16	15 1/16	14⅞
Local Authority Deps.	14¾	14⅞	14 15/16	15 1/16	15 1/16	14 15/16
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	15	14 15/16	14⅞	14⅝	-	-
Company Deposits	-	-	15	15⅛	15⅛	15
Finance House Deposits	-	-	15 1/16	15⅛	15⅛	15 1/16
Treasury Bills (Buy)	-	-	14 13/16	14 13/16	-	-
Bank Bills (Buy)	-	-	14¾	14 13/16	14 11/16	-
Fine Trade Bills (Buy)	-	-	15⅛	15⅛	14 15/16	-
Dollar CDs.	-	-	8.27	8.28	8.32	8.50
SDR Linked Dep. Offer	-	-	8 13/16	9⅛	9 3/16	9 3/16
SDR Linked Dep. Bid	-	-	8 11/16	9	9 1/16	9 1/16
ECU Linked Dep. Offer	-	-	10 27/32	11⅛	11 3/16	11 3/16
ECU Linked Dep. Bid	-	-	10 23/32	11 1/16	11 1/16	11 1/16

Treasury Bills (sell), one-month 14 11/16 per cent; three months 14 13/16 per cent; Bank Bills (sell): one-month 14 21/32 per cent. three months 14½ per cent; Treasury Bills; Average tender rate of discount 14.4529 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day December,29 ,1989 . Agreed rates for period January,24 1990 to February,25 , 1990. Scheme I: 15.90 p.c., Schemes II & III: 16.38 p.c. Reference rate for period Dec.1,1989 to December,29 , 1989. Scheme IV&V: 15.164 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15½ from January 1 , 1990: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 11½ per cent; one-three months 13 per cent, three-six months 13 per cent; six-nine months 13 per cent; nine-twelve months 13 per cent; Under £100,000 11½ per cent from Oct 9,1989 , Deposits withdrawn for cash 5 per cent.

COMPANY NOTICES

JOTTER PAD

CROSSWORD

No.7,151 Set by FETTLER

ACROSS

1 Laud – priest, first rate, in the Canterbury area (6)
4 Committee sat unruffled (8)
10 Rattles excite (7)
11 Do in; do! (7)
12 Alternately, volantes are fed on these (4)
13 Box, such as tin, is bound for the smelter (5-5)
15 Returning summons to yours truly is sick-making (6)
16 Will's opening wine that's mature (7)
20 Fiddlers take in deceptions (7)
21 Settle accounts in Geneva perhaps (6)
24 Firm with representative operation produces consolidation (10)
26 Squandered, and now penniless, has become miserable (4)
28 Clay, among others, is down to earth (7)
29 Have a go at a time trial (7)
30 Fluff the act? That's a sign of decline (8)
31 Dionysus, on returning, transgressed (6)

DOWN

1 Ignore exodic incident (8)
2 Cunning fellows in appropriate accommodation (9)
3 Locate it in certain quarters (4)
5 Terribly poor rate for a machinist (8)
6 Worried me! Pet viper is striking without warning (10)
7 A trick to hinder growth (5)
8 Lives, like 'Little Women', in little valleys (6)
9 Dorp (old or new) – of little account (5)
14 I tilt arms I' manoeuvres (10)
17 Herren – unstable element in German borders (9)
18 One stirring it – a ragout (non-U of course) (8)
19 Silly me! Tended to be crazy (8)
22 Being frightened – for a second, over-anxious (6)
23 Star bear (5)
25 Hearing catcall. Ow! I'm a flop (5)
27 Cutie who's topless and wild little case (4)

Solution to Puzzle No.7,150

WORLD STOCK MARKETS

AUSTRIA — [illegible]

BELGIUM/LUXEMBOURG — [illegible]

DENMARK — [illegible]

FINLAND — [illegible]

FRANCE — [illegible]

JAPAN — [illegible]

FRANCE (continued) — [illegible]

GERMANY — [illegible]

GERMANY (continued) — [illegible]

ITALY — [illegible]

ITALY (continued) — [illegible]

NETHERLANDS — [illegible]

NORWAY — [illegible]

SPAIN — [illegible]

SWEDEN — [illegible]

SWITZERLAND — [illegible]

SOUTH AFRICA — [illegible]

AUSTRALIA — [illegible]

HONG KONG — [illegible]

MALAYSIA — [illegible]

SINGAPORE — [illegible]

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible] Swedish prices unavailable on Jan 29.

CANADA

TORONTO

4pm prices January 29

[illegible]

MONTREAL

4pm prices January 29

[illegible]

Total Sales 4,667,806 shares

INDICES

NEW YORK

DOW JONES	Jan 29	Jan 26	Jan 25	Jan 24	1989/90 HIGH	1989/90 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2553.38	2559.23	2561.04	2604.50	2810.15 (2/1/90)	2144.64 (3/1/89)	2810.15 (2/1/90)	41.22 (2/7/32)
Home Bonds	91.20	91.37	91.54	91.67	94.15 (2/8/89)	87.35 (23/3/89)	—	—
Transport	1074.50	1101.17	1117.35	1128.20	1532.01 (5/9/89)	959.95 (3/1/89)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	218.44	218.06	216.30	218.94	236.23 (2/1/90)	181.84 (24/2/89)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2583.56 (2591.67) Low 2522.97 (2516.89)

STANDARD AND POOR'S	Jan 29	Jan 26	Jan 25	Jan 24	1989/90 HIGH	1989/90 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	325.20	325.80	326.08	330.26	359.80 (9/10/89)	275.31 (3/1/89)	359.80 (9/10/89)	4.40 (1/6/32)
Industrials	374.31	374.58	374.86	379.92	411.20 (2/1/90)	318.66 (3/1/89)	411.20 (2/1/90)	3.62 (21/6/32)
Financial	27.63	27.86	28.02	28.30	35.24 (9/10/89)	24.30 (3/1/89)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	179.73	180.21	180.61	182.64	199.34 (9/10/89)	154.98 (3/1/89)	199.34 (9/10/89)	4.46 (25/4/42)
Amex Mkt. Value	349.54	350.87	353.64	354.67	397.03 (10/10/89)	305.24 (3/1/89)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	418.11	421.33	425.24	425.66	485.73 (9/10/89)	378.56 (3/1/89)	485.73 (9/10/89)	54.87 (31/10/72)

	Jan 26	Jan 18	Jan 12	year ago (approx.)
Dow Industrial Div. Yield	4.20	3.99	3.96	3.46
	Jan 24	Jan 17	Jan 10	year ago (approx.)
S & P Industrial div. yield	3.11	3.03	2.94	3.12
S & P Indl. P/E ratio	14.09	14.39	14.80	13.40

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
New German	4,788,600	24¾	+ ⅛
Varity Corp	2,631,200	3	- ⅛
A T & T	2,525,000	39½	+ ⅜
Sec Pacific	2,122,500	35¼	- ⅜
Fannie Mae	1,999,700	30⅝	- 1⅛
Bank New Eng	1,993,000	4⅛	+ ½
Gen Electric	1,858,300	61¼	- ¼
Burling Res.	1,478,100	40¾	- 1
Philip Morris	1,459,700	37	
Exxon	1,295,300	47	+ ⅛

TRADING ACTIVITY

† Volume Millions	Jan 29	Jan 26	Jan 25
New York	151.468	190.717	172.270
Amex	12.780	15.759	11.419
NASDAQ	(u)	136.338	130.496
Issues Traded	1,942	1,964	1,943
Rises	538	549	521
Falls	947	949	933
Unchanged	457	466	489
New Highs	10	8	7
New Lows	144	155	79

CANADA

TORONTO	Jan 29	Jan 26	Jan 25	Jan 24	1989/90 HIGH	1989/90 LOW
Metals & Minerals	3056.64	3064.41	3071.85	3068.44	3919.2 (1/9/89)	3056.64(29/1/90)
Composite	3722.52	3733.72	3749.35	3761.46	4037.8 (6/10/89)	3350.5 (6/1/89)
MONTREAL Portfolio	1875.79	1876.80	1888.28	1909.57	2069.68(10/10/89)	1677.48 (3/1/89)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Jan 29	Jan 26	Jan 25	Jan 24	1989/90 HIGH	1989/90 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	(c)	1684.8	1675.3	1661.2	1782.8 (29/8/89)	1412.9 (7/4/89)
All Mining (1/1/80)	(c)	843.6	834.7	818.0	875.1 (29/8/89)	652.6 (7/4/89)
AUSTRIA						
Credit Aktien (30/12/84)	574.59	549.67	542.26	534.04	581.75 (12/1/90)	219.5 (2/1/89)
BELGIUM						
Brussels SE (1/1/80)	6248.50	6203.52	6183.78	6215.03	6855.28 (26/9/89)	5519.30 (4/1/89)
DENMARK						
Copenhagen SE (3/1/83)	362.65	362.21	363.67	363.41	374.24 (18/1/90)	275.49 (27/2/89)
FINLAND						
Unitas General (1975)	664.0	668.2	642.3	646.0	815.8 (18/4/89)	580.8 (23/11/89)
FRANCE						
CAC General (31/12/82)	520.70	518.89	520.66	522.91	561.6 (11/10/89)	417.9 (4/1/89)
CAC 40 (31/12/87)	1904.71	1886.75	1893.23	1881.73	2006.42 (4/1/90)	1525.38 (27/2/89)
GERMANY						
FAZ Aktien (31/12/58)	758.18	751.04	748.04	732.71	776.71 (12/1/90)	535.78 (27/2/89)
Commerzbank (1/12/53)	2229.2	2209.2	2200.5	2151.5	2291.3 (3/1/90)	1595.7 (27/2/89)
DAX (30/12/87)	1811.55	1794.14	1787.59	1756.41	1869.66 (3/1/90)	1271.70 (23/2/89)
HONG KONG						
Hang Seng Bank (31/7/64)	(c)	(c)	2768.86	2756.39	3309.64 (15/5/89)	2093.61 (5/6/89)
IRELAND						
ISEQ Overall (4/1/88)	1843.99	1847.09	1865.46	1846.86	1893.10 (22/1/90)	1360.64 (10/1/89)
ITALY						
Banca Com. Ital. (1972)	684.67	683.23	686.43	688.73	734.84 (31/8/89)	577.49 (28/2/89)
JAPAN						
Nikkei (16/5/49)	37173.70	36874.07	36969.11	36778.98	38915.87(29/12/89)	30183.79 (5/1/89)
Tokyo SE (Topix) (4/1/68)	2736.76	2711.15	2712.90	2705.46	2884.80(18/12/89)	2366.91 (6/1/89)
2nd Section (4/1/68)	4046.49	4069.81	4087.17	4058.16	4087.17(25/1/90)	2774.38 (27/3/89)
MALAYSIA						
KLSE Composite (4/4/86)	(c)	562.98	560.13	558.07	592.90 (11/1/90)	357.31 (3/1/89)
NETHERLANDS						
CBS Tnl Rtn.Gen (End 1983)	249.3	248.2	248.8	245.9	272.7 (21/9/89)	208.3 (3/1/89)
CBS All Shr (End 1983)	191.2	190.4	190.8	188.6	210.5 (8/9/89)	166.7 (1/3/89)
NORWAY						
Oslo SE (2/1/83)	751.72	744.22	743.05	725.33	754.71 (23/1/90)	467.17 (2/1/89)
PHILIPPINES						
Manila Comp (2/1/85)	1065.92	1048.17	1058.74	1067.01	1396.26 (20/11/89)	804.62 (6/2/89)
SINGAPORE						
SES All-Singapore (2/4/75)	(c)	414.25	414.75	413.64	433.24 (11/1/90)	300.07 (4/1/89)
SOUTH AFRICA						
JSE Gold (28/9/78)	2212.06	2215.0	2193.0	2224.0	2254.0 (12/12/89)	1291.0 (15/2/89)
JSE Industrial (28/9/78)	2918.06	2925.0	2922.0	2923.0	3023.0 (15/1/90)	1961.0 (3/1/89)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	897.32	(c)	905.75	903.58	1007.80 (3/4/89)	844.75 (11/12/89)
SPAIN						
Madrid SE (30/12/85)	277.85	276.61	279.13	278.83	328.93 (13/9/89)	268.61 (1/3/89)
SWEDEN						
Jacobson & P (31/12/56)	(u)	4278.8	4283.1	4190.4	4668.3 (16/8/89)	3333.9 (3/1/89)
SWITZERLAND						
Swiss Bank Ind (31/12/58)	747.9	741.0	743.5	742.00	829.1 (6/9/89)	613.1 (3/1/89)
TAIWAN**						
Weighted Price (30/6/66)	(c)	(c)	(c)	(c)	11947.61 (23/1/90)	4873.01 (3/1/89)
THAILAND						
Bangkok SET (30/4/75)	858.16	858.14	846.01	858.02	918.67 (5/1/90)	386.73 (2/1/89)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	535.6	534.2	534.3	571.0 (4/1/90)	487.6 (13/6/89)

**Saturday Jan. 27: Taiwan Weighted Price: (c) Korea Comp Ex. 905.75

‡ Subject to official recalculation.

Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500. (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

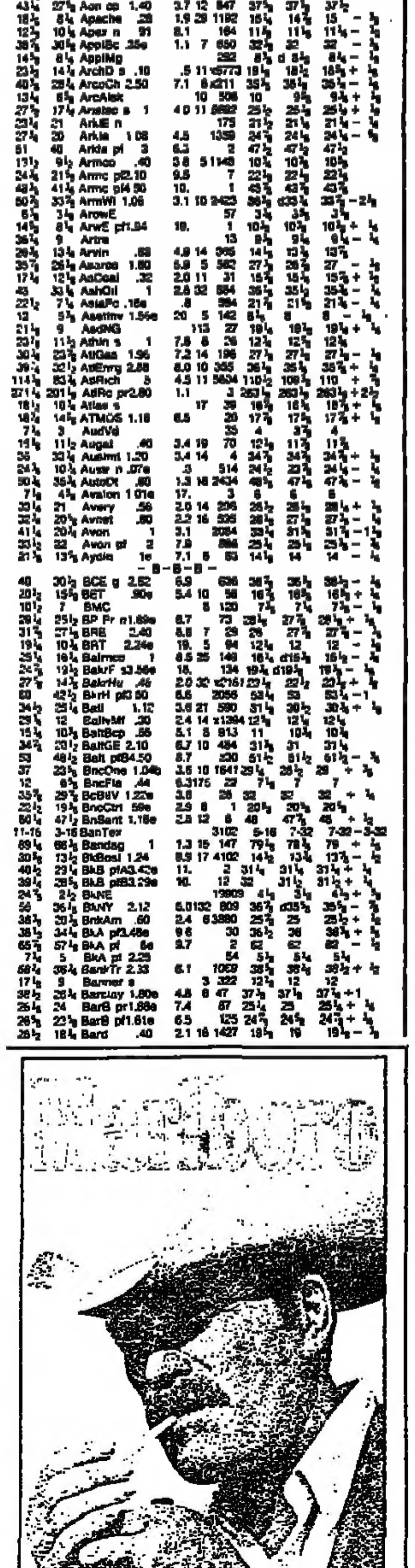
Monday January 29 1990

	Stocks Traded	Closing Prices	Change on day
Nippon Steel	11.9m	705	+3
Kawasaki Steel	10.7m	808	+28
NKK	8.6m	697	+9
NEC	8.2m	2,040	0
Sumitomo Mt Id	7.8m	805	+35
MHI	7.8m	1,110	+30
Hitachi	7.6m	1,690	-10
Sumitomo Mt Mg	5.6m	2,190	+30
Cosmo Oil	5.5m	1,360	-10
Gun-ei	5.4m	1,280	0

4pm prices January 29

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		- A - A - A -								
37½	24¾	AAR	.48	1.6	18	168	30⅝	30⅛	30¼	+ ⅛
9¾	8½	ACM n	1.01	11.		229	9½	9¼	9⅜	
11⅝	10½	ACMIn	1.26	11		384	11¼	11	11⅛	+ ⅛
9⅞	8	ACM M	n1.01	12.		339	8⅞	8¼	8¼	- ⅛
12⅛	12	ACMMM				201	12⅛	12	12	
11½	10	ACM Sc	1.26	11		1145	11⅛	11	11	
9⅞	6⅝	ACMSp	1.01	11.		z495	9¼	d 8⅞	9¼	+ ⅛
19⅝	11½	AL Lab	.16	.9	18	28	17¾	17⅝	17⅝	- ⅛
6⅛	3½	AM Ind			7	2167	3⅝	3½	3½	- ⅛
23½	16⅝	AM In pf	2	12.		53	16¾	16⅝	16¾	
107¼	64⅞	AMR			8	9129	57⅞	54¾	55⅛	-2⅛
5½	3⅛	ARX				53	3½	3½	3½	
66	39	ASA	3a	4.6		1475	66	64⅞	65⅛	- ⅛
70¾	48⅛	AbtLab	1.40	2.2	17	2715	65⅛	64	64½	- ⅛
18¾	11¼	Abitibi g	.50			40	11¼	11¼	11¼	+ ⅛
13	9¼	AcmeC	.40	4.1	11	26	10	9⅞	9⅞	
9¾	6	AcmeE	.32	3.6	12	52	9	8⅞	8⅞	- ⅛
38½	24¾	Acuson			20	564	29⅞	29¾	29⅞	+ ⅛
16½	12⅞	AdaEx	2.06e	14.		211	15⅛	15	15⅛	- ⅛
15⅞	6⅞	Adobe				158	13⅛	12⅞	12⅞	- ⅛
20¾	18⅞	Adob pf	1.84	9.7		3	19	19	19	- ⅛
21⅞	19⅞	Adob pf	2.40	11.		12	21¼	21¼	21¼	+ ⅛
10½	7⅛	AMD			5	856	7½	7⅜	7⅜	
35	29½	AMD pf	3	10.		102	28⅞	28¾	28⅞	+ ⅛
10⅛	6⅛	Advest	.18	2.6	8	210	6⅞	6⅞	6⅞	



Continued on Page 43

NYSE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
Continued from previous Page										
1	5-32	Gentel				221	15-64	7-32	7-32	+1-64
58⅞	49⅞	QuakrO	1.40	2.8	20	2296	50⅛	49⅞	50	+ ⅝
19⅝	12¼	QuakSC	.80	6.3	29	615	13¾	12¾	12¾	− ⅞
19	11⅝	Quanex	.40	3.5	5	146	11¾	d11½	11½	− ⅜
31¼	23	Quanx pf2.28		10.		25	23	d22⅝	22¾	− ¼
50½	20¼	Quantum			2	879	23⅜	22¼	22½	− ¼
13½	10¾	QstVl	1.20e	9.5		199	12⅝	12½	12⅝	− ⅛
14⅝	9⅝	QstVC				339	13⅛	12⅞	13	
39¾	31½	Questar	1.92	5.3	15	33	36⅝	36⅛	36⅛	− ⅜
18¼	12½	QkRelty	.28e	2.3	10	1202	12½	d12	12	− ⅝
− R − R − R −										
11⅞	9⅞	RAC	fp1.20a	11.		114	10⅜	10⅜	10¾	+ ¼
6⅝	1⅞	RAC	.53e	17.		58	3¼	3	3⅛	
9½	6⅞	RLI Cp	.40	4.7	8	28	8½	8½	8½	
19⅛	11¼	ROC Fd	.38e	2.3		7106	16⅞	16⅛	16⅞	+1⅛
8¼	5⅛	RPC			14	41	5⅞	5⅝	5⅝	− ⅛
6½	5⅜	RPS	.81e	14.	5	300	5⅞	5⅝	5⅝	
85⅜	43⅝	Racal	.25e	.4	39	1197	59½	58⅝	58⅝	+ ⅝
5⅝	2½	Radice n				16	3	3	3	+ ½
101½	78	RalsPur	1.85	2.4	14	464	79½	78¼	78⅝	− ¾
6⅝	5⅞	RangrO			27	250	5⅝	5⅝	5⅝	+ ⅛
38⅞	26	Raycm	.32	1.1	39	1510	28⅞	d27¼	28⅛	− ¾
21	18	Raymr	2.80	14.	5	98	20⅞	20⅞	20⅞	− ⅞
3⅝	½	vjRaytc				23	2¼	2⅛	2¼	
85	64⅞	Raythn	2.20	3.4	8	1149	65⅝	65	65½	− ⅞
5	15-16	RdgB n				58	2¾	2⅝	2⅝	
17	14¼	REIT	1.36	9.5	10	90	14⅝	14⅜	14½	
12⅜	6½	RecnEq				47	6¼	6	6⅛	− ⅛
20	11⅞	Reebok	.30	1.9	12	2698	16⅛	15⅝	15⅝	− ⅞
16	9⅝	Reece	.15e	1.6	47	34	9⅞	9⅝	9⅞	
½	7-64	Regal				332	5-16	¼	¼	
9¾	6⅜	RegIFn	.29e	3.6		630	8¼	8⅛	8⅛	− ⅛
15⅝	12½	ReichTg	1.76a	13.	9	10	13⅞	13⅞	13⅞	
8⅞	4⅞	RelGrp	.32	6.2		226	5¼	5	5¼	− ⅛
[illegible]										
− X − Y − Z −										
11⅞	7¾	WyleLb	.28	2.6	17	59	10⅞	10⅝	10⅝	
12¼	5	Wyse				130	10	9¾	10	+ ¼
59	62¾	Xerox	3	5.6	14	1093	53⅝	52⅝	53¼	− ⅛
49	44½	Xerox pf4.13		8.6		2	47⅞	47½	47⅞	− ⅞
49⅝	23½	XTRA	.72	3.0	30	44	24⅞	24¼	24⅛	− ⅛
32½	21¼	XTRA pf1.94		8.9		1	21½	21½	21½	
4¼	2⅛	Zapata				226	2½	2⅜	2½	
21½	9⅝	ZenithE				1572	9⅞	d 9⅛	9⅛	− ½
21½	17	ZenNtl	.84	5.0	8	110	17¼	d16⅞	16⅞	− ⅝
10	5⅛	Zenix	1.08	18.		453	6½	5⅞	6	+ ¼
18½	14½	Zero s	.40	2.7	14	65	15⅛	15	15	
44⅝	25¾	Zurnin	.76	2.1	18	453	36⅛	35½	36⅛	+ ½
12⅝	10	Zweig	1.21e	11.		1028	11⅛	11	11⅛	− ⅛
10	8¾	ZweigTl	.96	10.		1273	9⅞	9⅝	9⅞	− ⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4pm prices January 29

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

NASDAQ NATIONAL MARKET

3pm prices January 29

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						

AMERICA

Early rally fizzles out on round of programme sales

Wall Street

AFTER a brief attempt to rally at the opening, the equity market started drifting lower again in low volume, *writes Janet Bush in New York.*

The Dow Jones Industrial Average closed 5.85 points lower at 2,553.38 on volume of only 151m shares. At one stage, the index had stood more than 25 points lower but then recovered swiftly in the final hour of trading. Other key indices were also lower.

The Standard & Poor's 500 was quoted modestly lower while secondary stocks continued to come under selling pressure. The Nasdaq Composite index was quoted more than 3 points lower at the close.

The early buying, which took the Dow about 10 points higher, was a continuation of the rally during afternoon trading on Friday which had erased a loss of about 30 points to leave the Dow only 1.81 points lower at the close at 2,559.23. But the small rally, *which came on the heels of better performances in Tokyo and London, soon fizzled out.*

The market was then driven lower by a round of programme selling. Chances of a recovery from its recent sharp fall appear slim while the Treasury bond market remains in the doldrums.

The bond market yesterday failed to rebound at all from its slump on Friday, and the yield on the benchmark long bond rose to 8.54 per cent in late trading. A combination of rising yields in the bond market and poor corporate earnings has left the equity market reeling. The Dow would only have to fall about another 5 points from yesterday's close to record the worst January since 1960, when it lost 8.5 per cent.

There are a number of hurdles to be cleared this week including tomorrow's announcement of the details of next month's quarterly refunding and Friday's January employment release.

Kay Jewelers fell \$1½ to \$14¾ as takeover speculation *surrounding the stock faded.* Ratners of Britain denied rumours on Friday that it was prepared to make a \$25 a share bid.

Di Giorgio fell \$2¼ to \$26¼. Mr Arthur Goldberg, the investor, extended his tender offer of \$30 a share until Wednesday. The offer had been due to expire last Friday.

Pfizer added \$¾ to \$68½ after the Food and Drug Administration approved the drug Fluconzole which treats two AIDS-related fungal infections.

Canada

LIGHT trading in Toronto saw stock prices finish lower for the fourth consecutive session, dragged down mainly by media and transportation stocks.

The 300 composite index ended 11.20 lower at 3722.52, as declines outnumbered advances 363 to 235. Volume fell to 19,223,000 shares, worth C\$243.2m, from Friday's 30,895,000 shares, worth C\$401.2m.

Bank sees 15% gain in US

By William Cochrane

THE US equity market is unlikely to move out of its present phase until the spring or early summer, but it could end 1990 with a good performance overall, according to Kidder Peabody, the US investment bank.

Mr Joseph Fuchs, managing director and head of research at Kidder Peabody was in London yesterday to talk to UK institutions. He said that the 9 *per cent fall in the Dow Jones* Industrial Average since it peaked at the start of this year was a short-term correction, rather than a fundamental change in direction, and that the market could end 1990 with a gain of 15 per cent.

Reduced earnings expectations have been at the heart of the market's problem, he added: a rise in earnings per *share of 63 per cent in the* three years to December 1989 included a rise of only 2 per cent in 1989, and the earnings prospect for 1990 was between stasis and a 3 per cent gain.

"Analysts' expectations are still very much higher than those of the economists," Mr *Fuchs observed. Immediate* short-term prospects are also affected by fears of a further increase in short-term interest rates, up from 7.7 per cent to 8.5 per cent in the past month, worries about inflation, the slowdown in the US economy and the sometimes disastrous effect on company results.

However, he said, Kidder Peabody was looking for an *alternative to this scenario in* a declining budget deficit, a cut in inflation, and short-term interest rates coming down to about 7.75 per cent.

The predicted rise in share prices would require stocks to be valued on higher p/e multiples, as distinct from 1988 and 1989 *when all of the market's* rise reflected higher reported earnings. "This market ultimately needs visible and predictable corporate profits," said Mr Fuchs, "and the confidence which has been sorely lacking in recent years."

ASIA PACIFIC

Nikkei rebounds above 37,000

Tokyo

CONTINUING CALM on the bond market and the firmness of the yen helped to give share prices a strong boost, but volume remained paltry, *writes Michiyo Nakamoto in Tokyo.*

Index-linked buying supported a rise in the Nikkei average above the 37,000 level for the first time in four days. It closed at 37,173.70, up 299.63. During the day, it moved between a low of 36,912.51 and a high of 37,224.79. Advances led declines by 583 to 334, while 203 issues were unchanged.

Turnover, at 430m shares, was extremely thin even compared *with recent levels* and much lower than the 523m traded on Friday. The Topix index of all listed stocks gained 25.61 to 2,736.76 and, in London trading, the ISE/Nikkei 50 index rose 3.08 to 2,058.15.

The yen's rise against the dollar did its part to encourage buying, particularly *from new* index-linked funds. Dealer activity, aimed at lifting spirits at the start of trading for February, was another factor behind the rebound.

While the rise in the Nikkei appeared to indicate an improvement in market sentiment, *the low volume revealed* that investors remained as cautious as they have been for the past few weeks.

"The market reflects the uncertainty in the minds of most fund managers," said Mr Masao Fujita, senior manager of the Capital Markets Trading Department at Sanwa Bank. Investors were finding it very difficult to see where the yen was heading and, in turn, what the market faced in coming weeks, he said.

Most people were not ready to sell at present levels, as prices were beginning to look cheap. Many investors expected a run, supported by frantic dealer activity, before the national elections in February, Mr Fujita said.

It was also likely, however, that the market would see profit-taking towards the end of March as institutional investors looked to close their books at that time, he said.

The uncertainty was reflected in a switch in market focus. Electricals, which had been favoured last week for their good business growth prospects, suffered profit-taking. Hitachi lost Y10 to Y1,590 and Pioneer Y70 to Y6,050.

On the other hand, steels *and heavy industry stocks,* which had been dumped in view of the rising interest rates, gained as investors felt that prices had reached attractive levels. Nippon Steel topped the volumes list with 11.9m shares and added Y3 to Y709, while Kawasaki Steel followed *with 10.7m shares and a gain of* Y28 to Y808.

Reports that the US was pushing for greater financial deregulation in Japan boosted financial issues, with Industrial Bank of Japan up Y190 at Y5,700.

Mixed trading took the OSE average in Osaka moderately higher to 37,936.43, up 82.62. Volume fell to 58m shares from the 63.6m traded on Friday.

Roundup

THE PHILIPPINES and New Zealand both advanced in thin trade, reflecting the closure of Sydney for Australia Day, and Hong Kong, Singapore and Taiwan for the lunar new year.

MANILA firmed during a late buying spree, reflecting a delayed reaction to the arrest of a rebel leader following last month's failed military coup.

The composite index rose 17.75 to 1,065.92, with combined *turnover on the two bourses* falling to 63m pesos from Friday's 66m pesos in spite of a doubling of volume to 804m from 401m shares traded.

WELLINGTON trade was very quiet, with the Barclays index rising 6.69 to 1,940.38 on turnover of only 1.4m shares *worth NZ\$2.4m, compared with* Friday's 5.5m and NZ\$9m.

JAKARTA turnover was high mainly because 20m shares in Semen Cibinong, the cement group, changed hands. The stock fell 1,150 rupiah to 9,550 rupiah as the company floated 14m shares yesterday in *the second of two issues.* Turnover totalled a busy 20.49m shares and the index put on 6.63 to 441.25.

SEOUL sank below the 900 mark on the composite index in thin trading. The index shed 8.43 to 897.32.

Europe tiptoes on an East-West tightrope

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US \$ †
	1 Week	4 Weeks	1 Year	Start of 1990	Start of 1990	Start of 1990
Austria	−0.76	+15.11	+99.39	+15.11	+11.77	+14.62
Belgium	−4.22	−4.32	−0.123	−4.32	−6.21	−3.65
Denmark	−2.62	−1.23	+26.43	−1.23	−3.26	−0.62
Finland	+2.72	+8.13	+2.01	+8.13	+7.04	+9.97
France	−2.34	−5.68	+13.70	−5.66	−7.60	−5.08
W. Germany	+0.96	+0.99	+32.23	+0.99	−1.78	−0.91
Ireland	−1.24	+6.70	+32.67	+6.70	+4.61	+7.46
Italy	−2.26	−1.59	+8.92	−1.59	−3.54	−0.90
Netherlands	−1.79	−6.34	+6.71	−6.34	−8.59	−6.09
Norway	−0.36	+5.56	+29.02	+5.56	+3.81	+6.65
Spain	−2.72	−6.76	−2.67	−6.76	−9.40	−6.93
Sweden	−1.01	+0.24	+26.64	+0.24	−1.71	+0.97
Switzerland	−3.32	−3.85	+14.51	−3.85	−3.60	−0.97
UK	−0.90	−4.03	+13.06	−4.03	−4.03	−1.41
EUROPE	−1.23	−3.16	+14.96	−3.16	−4.41	−1.80
Australia	+0.87	+2.73	+12.48	+2.73	−3.79	−1.17
Hong Kong	−0.58	−2.84	−7.35	−2.84	−5.41	−2.83
Japan	*+0.46*	*−6.62*	*+6.08*	*−6.62*	*−8.78*	*−6.29*
Malaysia	−1.76	−1.29	+46.55	−1.29	−4.07	−1.45
New Zealand	−2.78	−3.38	+1.95	−3.38	−6.11	−3.55
Singapore	−2.17	+1.19	+28.61	+1.19	+0.06	+2.79
Canada	−3.50	−5.52	+4.07	−5.51	−10.76	−8.32
USA	−4.01	−7.84	+10.31	−7.84	−1.49	−7.84
Mexico	−1.23	+1.57	+137.44	+1.57	−10.29	+1.20
South Africa	+2.19	+8.69	+53.19	+8.69	+14.01	+17.12
WORLD INDEX	*−1.41*	*−5.91*	*+9.49*	*−5.91*	*−8.04*	*−5.52*

† Based on January 26 1990. Copyright, The Financial Times Limited, Goldman, Sachs & Co., and County NatWest Securities Limited.

By William Cochrane

A TENTATIVE recovery in Japan was scant compensation for the continued slide on Wall Street last week. With Europe in a position of uneasy compromise between the two, the FT-Actuaries World Index fell by 1.4 per cent, for a 5.9 per cent decline on the year so far.

New York, which has the unhappy distinction of being the worst performer in the first four weeks of 1990, has been plagued by the fear of a further rise in short-term interest rates, inflation worries and a fast growing list of companies producing disappointing earnings reports.

Mr Albert Edwards, US economist for Kleinwort Benson, says that the US bond market sell-off is a short-term affair, with the rise in yields accelerated by this month's collapse in the Japanese bond market. That could support the view that the three-week decline in US equities has been a correction, rather than the beginning of a bear market. However, there are other commentators such as Hoare Govett who say that, while there may be scope now for a small rebound, the trend continues to be downwards.

In Europe, there were only two winners, and they were very different in character. Finland, bombed out in 1989 and still with severe question markets over its economic policies and prospects, has been lifted by corporate activity in the forestry sector.

West Germany's 1 per cent lift, following a 4.3 drop the week before, reflects a sound growth economy with huge prospects in Eastern Europe; however, those prospects vary from week to week with the apparent strength of the Soviet leadership, and there are worries about the danger of protracted, bitter wage negotiations in the current round between employers and members of the IG Metall metalworkers' union.

Europe's big losers were Belgium and Switzerland. The former can be a very thin and illiquid market and last week, say observers, it was even worse than usual. Apart from speculative situations, which included tipsheet rumours last Friday about Société Générale de Belgique and two of its quoted subsidiaries, Hoboken and Acec, there seemed to be little will to invest.

This may have been short-sighted. The quality of last Wednesday's domestic inflation figures, apparently, was masked by an increase in excise duties. Without those, they would have been very encouraging indeed.

The Swiss seem to have intensified their fixation on other markets and the high level of short-term interest rates. It was reported last week that many large Swiss institutional investors were choosing to hold their money in high-yield, short-term money market instruments, rather than invest in equities.

Outside Europe, the main action was in and around bullion as most Pacific Basin markets began to wind up for the Chinese new year holiday. South Africa moved to second place in the 1990 rankings, after a buoyant week for gold shares, and Australia, with a more widely-based market, followed at a more gentle pace.

EUROPE

Bourses call a halt to three-week downtrend

CONTINENTAL bourses seemed ready to call a halt to their downtrend yesterday after three weeks of decline, *writes Our Markets Staff.*

FRANKFURT liked the news that East Germany would hold *its first free elections* two months earlier than planned. After a 7.14 rise to 758.18 in the FAZ index at midsession, the DAX closed 17.41 higher at 1,811.55. Volume eased from DM7.7bn to DM6.9bn.

The renewed focus on Eastern European prospects gave *Metallgesellschaft a rise of* DM18.50 to DM647.50. In growing activity by Japanese country funds, Hoechst led a belated rise in chemicals with a rise of DM6.40 to DM295.30.

Siemens was the most actively traded stock, in turnover of DM938m, and headed *the international blue chip* winners with a gain of DM11.70 to DM738.20. It benefited from strong demand for call options on the newly formed Deutsche Teminbörse, where Siemens calls were the most actively traded instruments on the futures market's first two days of operations.

Disappointments on the day included Deutsche Bank, held to a DM2 gain at DM816 on rumours of a rights issue; and Klöckner Werke, which is said to be asking British Steel for a high price for its Mannstädt subsidiary and which fell DM1.50 to DM256.50.

Among other banking shares, Dresdner Bank climbed DM5 to DM418. The state court in Frankfurt accepted the appeal of a small shareholder and declared invalid Dresdner's so-called conditional voting right limitation, an anti-takeover defence.

KHD, the machinery group, rose DM5.50 to DM255.50 after a report that Deutsche Babcock plans to acquire a 41 per cent stake from Deutsche Bank and Allianz. Babcock, which is to omit its 1989 dividend because of a sharp drop in earnings, rose DM4.30 to DM206.30.

ZURICH took its lead from Frankfurt, saw buying develop and the Crédit Suisse index rose 3.5 to 598.5.

Ascom, the telephone maker, rose SFr25 to SFr3,050 as it expected to maintain its 1989 profits in spite of significant restructuring costs; but Sulzer, the machinery group, closed unchanged at SFr5,175 although it expected markedly higher profits for last year.

PARIS nudged higher in *quiet, narrow-range trading,* with the oil sector displaying the strongest signs of life. Wall Street's firmer opening helped the CAC 40 index gain 17.96 to 1,904.71, near the day's highs. Turnover was estimated at less than FFr2.25bn.

Elf Aquitaine, the state-con*trolled oil company,* gained FFr16 to FFr556 on hopes of healthy 1989 earnings due today. One salesman predicted a 26 per cent rise in net profits; he said that investors saw the stock, which lagged the market last year, as a cheap source of value in an uncertain world.

Higher long-term expectations for oil prices also gave a fillip to energy shares. BP France added FFr11.60, or 6.7 per cent, to FFr183.50, Raffinage gained FFr11.20 to FFr195.20 and Total-CFP rose FFr18 to FFr527.

Some shares that declined at the end of last week improved, with Michelin, the tyre company, up FFr6 at FFr163, Peugeot FFr9 higher at FFr758 and Saint-Gobain rising FFr5 to FFr588.

Dumez, the building company, which received an analyst's buy recommendation yesterday, rose FFr28 to FFr848.

AMSTERDAM slipped from its high for the day as Wall Street let go of some of its opening gain. Turnover was light as the CBS tendency *index added 0.5 to 111.6.*

Among blue chips, Royal Dutch gained 50 cents to Fl 139.20, after an early loss of 70 cents.

Philips, the electronics group, added 30 cents to Fl 42.90; at the weekend, it said it was discussing Fl 450m worth of joint ventures and orders in Eastern Europe. Nedlloyd rose 40 cents to Fl 82.30 after Friday's news that it had signed a letter of intent with two Japanese companies for the construction of two container ships, at a cost of more than Fl 100m each.

MADRID was a little firmer after last week's declines, as the general index picked up 1.24 to 277.85. Construction stocks saw the best improvement, with Urbis up 11 percentage points at 397 per cent of par. *Banesto, which became* the second bank to move on to the continuous, computerised market, slipped Pta175 to Pta4,250. Santander, which was the first bank to move, eased Pta10 to Pta5,320.

BRUSSELS was preoccupied with interest rate fears and *shares ended mixed. The cash* market index rose 44.98 to 6,248.5.

Acec-Union Minière, the non-ferrous metals arm of Société Générale de Belgique, the holding company, fell BFr270, or 4.8 per cent, to BFr5,340 after the parent company denied speculation that it was negotiating the sale of a stake to RTZ, the UK-based mining group.

Hoboken, which is being merged into Acec-UM, also fell heavily, ending BFr650, or 2.9 per cent, lower at BFr21,550. Both it and Acec-UM had risen sharply on Friday as a result of the speculation.

Société Générale advanced BFr90, or 2.7 per cent, to BFr3,460 in lively trade, with solid foreign interest now that restructuring is complete.

STOCKHOLM prices closed an average 1.7 per cent down as almost all financial business in Sweden was halted by a lock-out of 50,000 bank employees involved in a wage dispute. Total turnover amounted to a tiny SKr15m and the Affärsvärlden general index shed 16.1 *to 1,217.8.*

COPENHAGEN saw more interest in the telephone companies which enlivened last week's trading, and shares in this sector again moved higher. But interest rate worries surfaced and the bourse index edged up 0.44 to 362.65.

OSLO advanced with support from oil prices and a strong economic outlook. The all-share index rose 3.61 to 564.58.

HELSINKI eased in very thin trade as a ban on inter-bank payments limited trade on the bourse. The Unitas all-share index fell 4.2 to 664.

SOUTH AFRICA

GOLD shares closed firmer in Johannesburg with stocks supported by a firm bullion price and a partial retreat in the financial rand.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY JANUARY 29 1990						FRIDAY JANUARY 26 1990			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989/90 High	1989/90 Low	Year ago (approx)
Australia (84)	150.07	+0.3	132.55	130.90	+0.0	5.21	149.61	133.90	130.90	160.41	128.28	153.63
Austria (19)	217.39	+3.9	192.02	189.18	+2.8	1.37	209.20	187.24	184.10	219.85	92.84	95.30
Belgium (61)	150.57	+1.0	132.99	130.14	+0.2	4.30	149.03	133.38	129.92	160.02	125.58	134.77
Canada (120)	139.76	+0.2	123.44	120.27	−0.3	3.33	139.52	124.87	120.62	154.17	124.67	135.28
Denmark (36)	243.75	+1.3	215.30	214.66	+0.3	1.47	240.71	215.44	214.11	250.34	165.35	156.97
Finland (26)	147.71	+0.8	130.47	122.37	+0.1	2.55	146.59	131.19	122.28	159.16	118.63	132.46
France (125)	150.60	+1.7	133.02	134.77	+0.9	2.80	148.10	132.55	133.58	157.97	112.57	118.13
West Germany (96)	127.02	+1.7	112.19	110.90	+0.9	1.90	124.84	111.73	109.88	130.32	79.56	85.26
Hong Kong (48)	*113.72*	*−0.1*	*100.45*	*114.04*	*+0.0*	5.00	*113.82*	*101.87*	*114.04*	140.33	86.41	126.39
Ireland (17)	196.53	+0.7	173.59	175.43	−0.2	2.48	195.08	174.60	175.70	198.57	125.00	137.34
Italy (96)	98.62	+1.1	87.11	92.06	+0.3	2.49	97.54	87.30	91.75	102.11	74.97	82.42
Japan (455)	187.18	+1.2	165.33	169.37	+1.1	0.48	184.98	165.56	167.56	200.11	164.22	192.89
Malaysia (36)	225.81	+0.0	199.46	234.99	+0.0	2.28	225.71	202.02	234.97	238.21	143.35	155.23
Mexico (13)	332.03	+0.8	293.28	980.16	+0.8	0.53	329.36	294.78	972.27	337.02	153.32	162.25
Netherland (43)	136.63	+1.1	120.69	118.02	+0.4	4.56	135.12	120.94	117.55	145.66	110.63	114.77
New Zealand (18)	70.01	+0.7	61.84	62.40	+0.2	5.65	69.53	62.23	62.26	88.18	62.64	70.16
Norway (24)	215.28	+1.0	190.15	189.20	+0.2	1.44	213.14	190.76	188.84	219.26	139.92	161.54
Singapore (26)	182.49	+0.2	161.18	157.01	+0.0	1.85	182.15	163.03	157.01	189.94	124.57	139.25
South Africa (60)	*231.14*	*+0.4*	*204.16*	*167.59*	*+1.4*	3.32	*230.17*	*206.01*	165.29	*231.14*	*115.35*	*123.75*
Spain (43)	154.78	+2.0	136.71	127.10	+0.9	4.16	151.78	135.85	126.02	169.75	143.14	149.55
Sweden (35)	195.13	+0.6	172.35	176.71	+0.1	1.94	193.92	173.56	176.48	206.95	138.45	149.76
Switzerland (62)	94.69	+1.6	83.64	87.20	+0.8	2.05	93.16	83.38	86.49	99.12	67.81	77.15
United Kingdom (306)	159.39	+1.9	140.79	140.79	+0.5	4.49	156.46	140.03	140.03	164.31	133.28	149.71
USA (542)	131.55	−0.2	116.19	131.55	−0.2	3.59	131.83	117.99	131.83	146.29	112.13	119.98
Europe (989)	142.16	+1.7	125.57	125.09	+0.6	3.42	139.82	125.14	124.29	146.66	112.63	119.66
Nordic (121)	191.65	+0.9	169.28	164.13	+0.2	1.74	189.90	169.96	163.83	198.12	137.95	144.61
Pacific Basin (667)	183.03	+1.1	161.67	165.76	+1.0	0.73	180.98	161.98	164.09	194.72	160.44	188.45
Euro – Pacific (1656)	166.87	+1.3	147.40	149.55	+0.9	1.66	164.70	147.41	148.23	174.18	141.56	160.93
North America (662)	131.95	−0.2	116.54	130.65	−0.2	3.57	132.19	118.32	131.13	146.66	112.79	120.80
Europe Ex. UK (683)	130.37	+1.5	115.15	115.41	+0.7	2.70	128.40	114.92	114.59	134.66	96.30	101.10
Pacific Ex. Japan (212)	133.22	+0.2	117.67	120.55	+0.0	4.78	132.96	119.00	120.54	140.05	111.93	135.18
World Ex. US (1849)	166.65	+1.3	147.20	149.01	+0.9	1.73	164.56	147.28	147.73	173.77	141.49	159.67
World Ex. UK (2085)	152.53	+0.7	134.73	143.36	+0.5	2.06	151.45	135.55	142.60	162.00	136.98	143.85
World Ex. So. Af. (2331)	152.65	+0.8	134.83	142.91	+0.5	2.28	151.40	135.50	142.16	161.84	136.67	144.48
World Ex. Japan (1936)	137.09	+0.6	121.09	129.58	+0.2	3.55	136.32	122.01	129.38	145.52	114.51	121.06
The World Index (2391)	153.12	+0.8	135.25	143.08	+0.5	2.29	151.87	135.93	142.32	162.05	136.68	144.36

Markets closed Jan.29: Australia,Hong Kong,Malaysia and Singapore. A full update of prices was unavailable for Finland & Sweden.